

NEWS: EUROPE

Bribe scandals hit Italy's credit ratings

By Robert Graham in Rome

THE spreading corruption scandals affecting Italy's political establishment are beginning to affect Italy's credit ratings.

Standard & Poor's, the US credit rating agency, yesterday announced a downgrading of the rating on Italy's sovereign long-term foreign debt from AA+ to AA. This comes after last Friday's statement from Moody's, the other main international credit rating agency, that Italy's debt was to be placed under review.

The Moody's move provoked an unprecedented joint rebuttal from the Bank of Italy and the Treasury. They accused Moody's of failing to take account of the positive corrective measures introduced in recent months to tackle Italy's public sector deficit.

Yesterday the Italian financial authorities issued no formal response to the S&P move. Even with yesterday's downgrading S&P still rates Italy as a significantly better credit risk than Moody's. If Moody's review results in Italy being

downgraded to single A status, then many credit-conscious international investors will cease to buy its bonds.

Standard & Poor's action yesterday was based on a combination of political and economic criteria. The agency said the corruption scandals were weakening the fragile government coalition. The markets, which had reacted nervously to Moody's announcement, appeared to have discounted a move by Standard & Poor's.

The lira was being traded yesterday at L956 against the D-Mark.

Last August, when problems first arose with creditors over payment of debts of Enim, the state holding company placed in liquidation, Moody's downgraded Italy's debt from AA1 to AA3. Italy has undertaken with its EC partners, in return for a four-tranche Ecu8bn (\$9.28bn) loan, to reduce the public sector deficit from nearly 11 per cent to 9.3 per cent of GDP this year. The budget envisages raising L93,000bn (\$67.66bn) in taxes and extra revenues, about 5.8 per cent of GDP.

Private pension funds get go-ahead

By Haig Simonian in Milan

ITALY'S government has opened the way to private pension funds, bringing the country into line with most of its European neighbours.

The step, still to be discussed by parliament but to be passed as a decree law, will take pressure off the over-burdened state pension system and should stimulate the flow of new funds to the stock market ahead of the government's privatisation programme.

Italian shares rose strongly for the second day running yesterday as a result of the decision, which should eventually boost equity purchases by big institutional investors. Shares in insurance compa-

nies, seen as the main beneficiaries of the planned new legislation, rose most strongly. Trading was particularly active, according to brokers.

The voluntary system, which will not replace the existing state pension scheme, will be open to individuals, professional associations, trade unions and companies. The attraction of private pensions will be boosted by tax incentives, akin to those currently available on life insurance policies, where regular premiums can be partly offset against income tax.

The finances of Italy's state pension scheme have been increasingly strained in recent years.

EC in new agreement on small print in contracts

By Andrew Hill in Brussels

THE European Community yesterday gave consumers a new weapon to use against unfair small print in contracts. EC consumer affairs ministers agreed a directive to outlaw standard contracts weighted against the consumer.

The accord ends 18 years of discussion between member states, and could open a range of previously acceptable agreements to legal challenge, including banks' contracts with customers, package holiday deals which allow tour companies to impose surcharges, and even broad warranties that customers use services "at their own risk".

But consumer organisations said yesterday that the new legislation, which will not come into force until December 31 1994, did not go far enough, and was too vague. They believe it should include a definitive list of illegal clauses, rather than an "indicative" list, and should cover all contracts, including those negotiated by the consumer.

Ms Monique Goyens, legal adviser to Beuc, the European consumers' organisation, said: "We are pleased that this directive is almost on the statute books, but it will bring few concrete benefits to any of Europe's consumers."

Other consumer groups said its main benefit would be to raise consumers' awareness of the dangers hidden in the small print.

Ms Rebecca Evans, barrister with the Consumers' Association in London, said: "A big piece of legislation coming in to reinforce in the public mind that they are not stuck with the small print, and there are things that companies can't do."

Mr Jan Trolberg, minister for industry in Denmark, which holds the EC presidency, said the directive would raise minimum consumer protection standards in southern EC countries such as Spain and Portugal, although EC governments could introduce stricter legislation.

Ukraine accused of N-weapon leaks

By John Lloyd in Moscow, Chrysis Freeland in Kiev and David White in London

UKRAINE'S nuclear missiles are leaking dangerous amounts of radiation because Kiev is refusing to give Russia access to the weapons for maintenance, General Mikhail Kolesnikov, head of the general headquarters of the Russian army, said yesterday.

"According to our data, the radiation levels from some sites exceed the permissible levels by thousands of times," Gen Kolesnikov said.

The state of the weapons was now "very serious". Russia had "lost control" of the missiles and could no longer take responsibility for their safety.

Mr Boris Tarasuk, Ukraine's deputy foreign minister, yesterday described the latest Russian claims as "imaginations". He said Russia was pressing Ukraine to give up the missiles.

"According to our experts the state of the nuclear missiles located on Ukrainian territory in no way differs from that of the missiles found in Russia," Mr Tarasuk said. He said that Russian experts had full access to the missiles to perform necessary maintenance and that Ukraine was fully prepared to pay for Russian spare parts.

A senior Nato diplomat in Kiev said yesterday that he was concerned about the safety of the warheads and hoped the issue would be resolved quickly. He said it was difficult to determine the true state of the missiles "but



Yeltsin appeals to reformist legislators to help him end the power struggle in Congress at a meeting in Moscow yesterday

I am more inclined to believe the Ukrainian claims".

Mr Shaun Gregory, a nuclear weapons specialist at the University of Bradford's School of Peace Studies, said nuclear materials would deteriorate more rapidly in older and less sophisticated weapons such as the six-warhead SS-19 missiles, which were deployed more than 10 years ago. Ukraine has 130 of these mis-

siles at Khmel'Nitskiy and Pervomaysk. Warheads would normally be refurbished every couple of years, he said.

In the former Soviet Union, Russia had the only facilities for making and refurbishing warheads, and was the only source of weapons-grade uranium and plutonium. Gen Kolesnikov's remarks yesterday are the latest in a war of words between the neighbour-

ing Slav states, which are also in dispute over gas prices and supplies and on the division of former Soviet debt.

Mr Andre Kozyrov, Russia's foreign minister, said Russia was gravely concerned that Ukraine had taken effective control of the strategic missiles on its territory. Speaking at parliamentary hearings on the Start 2 arms reduction treaty, he expressed doubt that

the Ukrainian parliament would ratify both the Start 1 and Start 2 treaties.

Completing the barrage of complaints and threats, Russian General Pavel Grachev, the Russian minister of defence, said it talks now going on between the Ukrainian and Russian governments on the missiles broke down, he would take unspecified action to resolve the crisis.

UN and EC deplore fighting

By Michael Littlejohns at the UN, New York

UNITED NATIONS and European Community negotiators yesterday deplored the continuation of heavy fighting in eastern Bosnia while peace talks under their auspices were taking place in New York.

Mr Cyrus Vance and Lord Owen deplored the fact that despite numerous assurances, as well as Security Council calls for the observance of international humanitarian law, land relief convoys were still blocked.

The joint mediators urged immediate access and measures to enable the wounded to be evacuated. They also expressed concern about new displacements of innocent civilians.

Their statement was issued after President Alija Izetbegovic of Bosnia-Herzegovina raised the matter with the mediators at the outset of his first meeting with them since the talks were transferred from Geneva.

On Monday he told reporters in Washington that he was bringing proposals to the UN

for a US role in a ceasefire and military disengagement, but no details of this were immediately available.

Responding to the Bosnian leader's insistence that he would not take part in full-scale negotiations, Mr Fred Eckhard, the conference spokesman, observed: "I think his presence here this morning is the answer."

However, there was still no indication if or when a negotiating session including all the parties would take place in New York.

Drivers to face tolls on all main European roads

By Richard Tomkins, Transport Correspondent

TRANSPORT ministers from Britain and Germany yesterday warned that car and lorry drivers faced the widespread introduction of tolls on Europe's trunk roads and motorways.

They said raising more money from vehicle drivers presented the only realistic prospect of funding the increases in road capacity needed to cope with the likely growth in European traffic.

Opening a Financial Times transport conference in London yesterday, Mr John MacGregor, UK transport minister, said the challenge to governments throughout Europe was how to finance the new roads their economies needed.

Britain alone had some £20bn (\$28.4bn) worth of road projects planned, he said. Given the competing pressures on government funds, it would take "some considerable time" to carry out this programme unless new sources of finance could be tapped.

Mr MacGregor said the UK government would this spring be proposing the introduction of direct charges for the use of inter-urban roads to attract private sector finance into roadbuilding.

Mr Günther Krause, German

transport minister, told the conference that Europe faced a looming "mobility crisis" because of rapidly rising traffic flows - with Germany, the "number one transit country," at the centre of it.

The German government, he said, was planning to introduce motorway charges to fund new roadbuilding, so creating the conditions for a privatisation of the motorway network. Budget funds released by the new tolls would be spent on improving the railways.

Mr Krause said that what Germany wanted to see was a Europe-wide system of electronically-collected road tolls so that each country could recover the costs it incurred on its roads from the people who used them, rather than from the taxpayer.

The EC ministers' views were echoed by Mr Andras Timar, representing Hungary's ministry of transport, which last week became the first former communist country to award a concession for a privately-funded toll road.

"It has to be emphasised that without an active participation of foreign and private capital in financing transport investments needed in Hungary and all other eastern and central European countries, there is no real chance for economic recovery, transition, and European integration in a reasonable time," Mr Timar said.

Sweden rules out Ecu peg

SWEDEN'S central bank governor yesterday ruled out pegging the krona to the European currency unit in favour of linking it to the D-Mark or entering the European exchange rate mechanism once Sweden became a member of the European Community, writes Karen Fossell in Oslo.

Sweden, along with Norway and Finland, has applied to

join the EC and hopes to become a member by 1995.

Sweden uncoupled the krona from the Ecu on November 19 and the currency has since been devalued by about 20 per cent. The krona was floated after a failed attempt to maintain the Ecu link, including an increase by the central bank in the key overnight lending rate to 500 per cent.

Serbs lift blockade of Danube

By Virginia Marsh in Bucharest

SERBS yesterday lifted a week-long blockade of the River Danube which stranded at least 22 ships in ports along the river and halted international traffic.

The Romanian ministry of transport said 22 convoys, including ships from Austria, Bulgaria, Holland, Hungary,

Romania and Ukraine had been stranded on either side of the barricades formed of barges near the Serb frontier port of Prabhovo. A further 24 vessels were waiting in Romanian Danube ports.

Serb harbour workers had strung 12 barges across a Serb and Romanian stretch of the river last Tuesday in retaliation for Romania's enforcement of UN sanctions. The har-

bour workers had said they would not lift the barricade until Romania allowed a Serb ship loaded with 4,000 tonnes of fuel oil to sail upstream to Belgrade.

Trade between the Black Sea countries and Europe has been severely disrupted by the blockade. About 35 ships and 120 barges passed through the Iron Gates lock, upstream from Prabhovo, each week.

France counts cost of peace

By David Buchanan in Paris

THE cost to France of deploying some 10,000 soldiers in the service of the United Nations and of other emergency military missions abroad will rise from FF7.32bn (\$400m) last year to FF7.4bn this year, Mr Pierre Joxe, the defence minister, forecast yesterday.

Clearly regarding as a dubious privilege France's provision of more troops to the UN than any other country, Mr Joxe told the newspaper Les Echos that he had asked the government to bear the cost of bonuses for soldiers serving overseas out of its general budget. Otherwise, the defence equipment budget would suffer, he warned.

Pay bonuses account for two-thirds of special military operations abroad, the minister said. Conscripts, for instance,

who volunteer to serve in Yugoslavia receive FF5,000 a month, or 10 times their normal stipend at home.

The Socialists strongly oppose the phasing out of conscription, proposed by some leading members of the RPR Gaullists who are expected to form part of the new government after next month's election. The army general staff yesterday published a study claiming that the French army of 260,000 men was not only "no worse equipped" than Britain's purely professional force of 130,000, but 30 per cent cheaper.

Meanwhile, Mr Joxe has said more arms sales like last month's deal to supply the United Arab Emirates with \$3.5bn (\$2.46bn) worth of tanks could be in the offing.

He cited Oman as a potential buyer.



Joxe: requested more money

OBITUARY

Triffin: far-sighted economist

ROBERT TRIFFIN, who played a major role in the recreation of European currency convertibility after the second world war and correctly diagnosed the critical weakness of the Bretton Woods fixed exchange rate system, died on February 23 in Ostend, Belgium, at the age of 81.

Born in Flobecq, Belgium, Triffin was educated at Louvain and Harvard Universities, becoming a US citizen in 1942. Between 1942 and 1949 he held positions with the Federal Reserve System and the International Monetary Fund. His most important official role, however, was in Paris as special policy adviser to the Economic Co-operation Administration and alternate US representative at the European

Payments Union, between 1949 and 1951. Thereupon, Triffin taught at Yale University, before returning to Belgium in 1977 and resuming Belgian citizenship.

Triffin's main practical contribution to international monetary economics came shortly after the second world war in the establishment of the European Payments Union. The EPU set the European currency on the path towards currency convertibility and provided a framework for the renewal of multilateral trade within Europe.

Triffin's most important intellectual contribution, however, was his seminal critique of the Bretton Woods system, first published in 1959 and reprinted in 1960 in the most

famous of his books, *Gold and the Dollar Crisis*. Though proved largely right, his fate was to be a Cassandra, unable to persuade policy makers to make the changes that would have preserved a system in whose underlying principles he strongly believed.

Triffin argued that the fundamental flaw in the operation of the international monetary system agreed at Bretton Woods, New Hampshire in 1944 would turn out to be not a shortage of dollars, as most economists had argued, but a glut. Inadequate growth of the stocks of monetary gold would make the world increasingly dependent on rising US dollar reserves, which would have to be supplied through a deficit in the US balance of payments.

Sooner or later, however, the US would have to correct its deficit, since the rest of the world would become increasingly unwilling to accept the US currency at a fixed exchange rate.

At that stage, he argued, the world would face a three-fold choice: revaluation of the gold stock; generalised floating; or internationalisation of foreign exchange reserves. Triffin preferred the last alternative. As was probably inevitable, however, the US pre-empted that choice by terminating US dollar convertibility into gold in 1971, a decision that left the world with its subsequent regime of floating exchange rates among major currencies.

Martin Wolf

TENDER NOTICE
UK GOVERNMENT
ECU TREASURY BILLS

For tender on 9 March 1993

- The Bank of England announces the issue by Her Majesty's Treasury of ECU 1,000 million nominal of UK Government ECU Treasury Bills, for tender on a bid-yield basis on Tuesday, 9 March 1993. An additional ECU 50 million nominal of Bills will be allotted directly to the Bank of England.
- The ECU 1,000 million of Bills to be issued by tender will be dated 11 March 1993 and will be in the following maturities:
ECU 300 million for maturity on 15 April 1993
ECU 300 million for maturity on 10 June 1993
ECU 400 million for maturity on 18 September 1993
- All tenders must be made on the printed application forms available on request from the Bank of England. Completed application forms must be lodged, by hand, at the Bank of England, Securities Office, Threadneedle Street, London not later than 10.30 a.m. London time, on Tuesday, 9 March 1993. Payment for Bills allotted will be due on Thursday, 11 March 1993.
- Each tender at each yield for each maturity must be made on a separate application form for a minimum of ECU 500,000 nominal. Tenders above this minimum must be in multiples of ECU 100,000 nominal.
- Tenders must be made on a yield basis (calculated on the basis of the actual number of days to maturity and a year of 360 days) rounded to two decimal places. Each application form must state the maturity date of the Bills for which application is made, the yield bid and the amount tendered for.

The Bank of England will announce early on 9 March the maximum yield for each maturity of Bills on offer which will be acceptable in the tender. Any tenders at yields above the relevant maximum yield will be rejected. The maximum yields for each maturity of Bills on offer will be published on the following wire services: Reuters (pages GBAA - AF); Teletext (pages 6473-78) and Topic (page 44751).

Notification will be despatched on the day of the tender to applicants whose tenders have been accepted in whole or in part. For applicants who have requested credit of Bills in global form to their account with Euro-clear or CEDEL, Bills will be credited in the relevant systems against payment. For applicants who have requested definitive Bills, Bills will be available for collection at the Securities Office of the Bank of England after 10.30 a.m. on Thursday, 11 March 1993. Tenders cleared have been credited to the Bank of England's ECU Treasury Bills Account No. 59005516 with Lloyds Bank Plc, International Banking Division, PO Box 19, Hays Lane House, 1 Hays Lane, London SE1 2HA. Definitive Bills will be available in amounts of ECU 10,000, ECU 50,000, ECU 100,000, ECU 500,000, ECU 1,000,000, ECU 5,000,000 and ECU 10,000,000 nominal.

7. Her Majesty's Treasury reserve the right to reject any or part of any tender.

8. The arrangements for the tender are set out in more detail in the Information Memorandum on the UK Government ECU Treasury Bill programme issued by the Bank of England on behalf of Her Majesty's Treasury on 28 March 1989, and in supplements to the Information Memorandum. All tenders will be subject to the provisions of that Information Memorandum (as supplemented) and to the provisions of this notice.

9. The ECU 50 million of Bills to be allotted directly to the Bank of England will be for maturity on 16 September 1993. These Bills may be made available through sale and repurchase transactions to the market makers listed in the Information Memorandum (as supplemented) in order to facilitate settlement.

Any Bills of any maturity on offer not allotted in the tender will be allotted to the Bank of England. Such Bills may subsequently be sold into the secondary market or made available through sale and repurchase transactions to the market makers listed in the Information Memorandum (as supplemented).

10. Copies of the Information Memorandum (and supplements to it) may be obtained at the Bank of England. UK Government ECU Treasury Bills are issued under the Treasury Bills Act 1977, the National Loans Act 1968 and the Treasury Bills Regulations 1968 as amended.

Bank of England
2 March 1993

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German output continues to fall

By Christopher Parkes
in Frankfurt

GERMANY'S industrial slump is continuing unabated, despite signs of a modest improvement in output during January.

Output is falling by an average 2.5 per cent each month and the construction industry is now the only sector showing any growth, according to figures published by the Economics Ministry yesterday.

Meanwhile, steel output has plunged and details of incoming orders in the engineering business showed further falls in domestic and foreign demand.

Total industrial output in January was 3 per cent higher than in December despite widespread short-time working in the automotive industry, according to the Economics Ministry.

The apparent recovery followed a 3 per cent month-on-month fall in December (corrected from 2 per cent), when most of industry took extended Christmas breaks.

A comparison of production in December and January together with the same period a year earlier showed total output had fallen 6.8 per cent; manufacturing was down 7.7 per cent.

Within this figure, production of capital goods slumped almost 11 per cent, while construction rose 2.5 per cent.

New figures from the VDMA engineering and plant makers association showed new orders in January were 15 per cent lower than a year earlier. Domestic demand fell 24 per cent and new foreign contracts were down 11 per cent.

This sector, second only to the motor industry as an export earner, has now recorded falling orders for almost a year with only slight signs of improvement from overseas markets more than cancelled out by diving domestic demand.

In the three months to the end of January total orders were 13 per cent lower than the comparable period 12 months earlier.

The knock-on effects of this downturn, cuts in the motor industry and the international steel crisis are now wholly apparent in the steel sector, where January output of steel and rolled finished products was 25 per cent and 15 per cent lower than in January 1991.

Other government statistics due out later this week are expected to show further sharp increases in unemployment and falling orders across the whole of manufacturing industry.

New car sales may fall by 8-9%, warn carmakers

By Kevin Done, Motor
Industry Correspondent, in
Geneva

LEADING car makers warned yesterday that West European new car sales could fall by 8-9 per cent this year with a decline of around 1.1m.

Mr Louis Hughes, president of GM Europe, forecast a drop in new car demand across west Europe to around 12.3m from 13.45m last year.

Mr Hughes forecast a fall in new car sales in four of the five main volume markets, Germany, Italy, France and Spain with only a modest increase in the UK. Sales in the five markets, which account for more than 80 per cent of total west European new car registrations, are forecast to fall by more than 1m units to just under 10m this year.

The most dramatic decline was expected in Germany where new car sales were forecast to fall by 19 per cent to around 3.2m, a loss of almost 750,000 units from 1992, said Mr Hughes.

In Italy, Europe's second largest market, new car sales were expected to drop by 10 per cent to under 2.1m, he said.

Mr Hughes warned that the workforce of GM Europe (Opel/Vauxhall) would be cut by around 3,000 this year following a similar reduction in 1992. GM Europe has a complete halt on the recruitment of hourly-paid workers in its European operations.

GM Europe's core Opel/Vauxhall car and light commercial vehicle operations suffered a 31 per cent fall in net profits last year to \$1.36bn from a record \$1.95bn in 1991, the company said yesterday.

However, it remained the most profitable volume car maker in Europe.

The chief executives of Ford and Peugeot issued similarly pessimistic forecasts for European car demand this year, which will add pressure to the continuing disagreement between the European Community and Japan over the level of Japanese car sales in Europe this year.

Sharp rise in asylum seekers

By Quentin Peel in Bonn

THE number of asylum seekers arriving in Germany reached more than 38,000 in February, a mid-winter record, with a sharp increase in the number coming from Romania.

In spite of strenuous efforts by German border police to stem the flow of would-be immigrants from eastern Europe, the latest statistics show an increase of 30 per cent in the first two months of the year, compared with the same period in 1992.

Mr Rudolf Seiters, the German interior minister, said the latest figures provided confirmation of the need for urgent changes in the country's liberal asylum law, currently delayed in parliamentary procedures.

He also released figures showing that of 34,505 applications for asylum processed in the course of February, only 539, or 1.6 per cent, were granted. Of the remainder, 69 per cent were rejected as economic migrants, not political refugees, and 30 per cent withdrawn.

In the February figures for asylum-seekers, no fewer than 45 per cent came from Romania and Bulgaria - 12,853 from Romania, compared with only 3,760 a year ago. In contrast, there was a 45 per cent fall in the number from former Yugoslavia: 5,637 this year, compared with 12,540 last February.

Talks break down after employers refuse 26% rise

By Judy Dempsey in Berlin

ARBITRATION talks for east Germany's metal and electrical workers broke down in Saxony-Anhalt on Monday night after Gesamtmetall, the employers association, told IG Metall, Germany's giant engineering union, it would not pay the sector a 26 per cent wage increase.

The breakdown of the talks means that IG Metall will have to decide what room there is for compromise without losing face, or gauge whether its 280,000 members have the stomach for an all-out strike in an industry facing increasing unemployment.

Throughout the talks in the five east German states, Gesamtmetall had offered IG Metall a 9 per cent rise, an increase which is becoming the accepted target in other industrial sectors of the eastern economy. However, IG Metall officials yesterday said such an increase ignored the fact that east Germans had to pay west German prices with east German incomes. It also accused employers of reneging on a contract agreed in March 1991 which would bring east German wages up to west German levels by April 1994.

Wages for eastern Germany's metal, electrical and steel sectors are currently 70 per cent

of west German levels. A 26 per cent increase next month would have brought them up to 92 per cent, even though productivity is about 70 per cent below west German levels.

Arbeitsgeberverband Stahl, the steel employers association, which yesterday started arbitration talks in Berlin with IG Metall for the steel sector, said it too was prepared initially to offer eastern German steel workers a 9 per cent pay increase, instead of the planned 20 per cent stipulated in the March 1991 contract. A spokesman denied the association was breaking the contract.

"A clause in the contract legally entitles us this year to revise the timetable and wage increases, if economic expectations radically changed from the original agreement."

But IG Metall believes the employers are not negotiating in good faith. "What is at stake is the entire principle of collective wage bargaining," Ms Dagmar Opoczynski, a spokeswoman for IG Metall said. "The employers want to opt out of collective wage bargaining and set their own wage levels in eastern Germany. If they break the wage contract in eastern Germany, they can do it in western Germany," she said.

IG Metall has responded to the breakdown of talks by organising demonstrations.



Workers in protective suits saw down trees in a contaminated Frankfurt suburb after a toxic cloud escaped from a Hoechst chemical plant. The clean-up will cost at least DM10m (\$6.14m)

Hungary widens net in sell-off campaign

By Nicholas Denton
in Budapest

HUNGARY yesterday set in motion plans to draw most of the population into the country's privatisation programme.

J. Henry Schroder Wagg, the UK investment bank which is to advise on the government's campaign to speed sales and recruit the general public as investors, said Hungary was considering offering millions of small investors concessions, including cheap credit, to buy assets remaining in state control.

Entrepreneurs would be able to buy small state-owned companies, or to invest in shares in a company through Hungary's stock market.

The proposals for popular participation mark a departure for Hungary. Until now it has relied heavily on foreign investment and market pricing. The first phase of privatisation, predominantly involving trade sales to western consumer goods companies, is running out of steam.

Acquisitions by Ferruzzi, Unilever, Nestlé, British American Tobacco, Philip Morris and many other multinationals helped give privatisation proceeds of more than Ft100bn (280.4m) in 1991-92.

But the frequency of large deals is declining because the most attractive and easily digestible properties in the state's portfolio, like the cigarette makers, have already been sold. Foreign investor interest is now focusing on the utilities, but their privatisation needs to be preceded by time-consuming regulation.

The conservative government is anxious to draw in popular support for privatisation because of a widespread belief that foreigners and state company managers, many of them former communists, have monopolised privatisation. The Hungarian Democratic Forum, the governing party, is given added incentive by its political predicament; elections are approaching in 1994, with the Forum trailing the liberal and socialist opposition heavily in opinion polls.

OECD urges reform of Danish benefits

By Hilary Barnes
in Copenhagen

A "SUSTAINABLE and significant reduction" in Denmark's unemployment rate, currently running at 11.7 per cent on a seasonally adjusted basis, cannot be achieved without reforms of the unemployment benefit system, according to the OECD's annual report on the Danish economy.

A benefit rate of 90 per cent of wages for those at the lower end of the wage scale is too generous and reduces the incentive to seek work, while the benefit period - up to nine years - is too long, says the report.

Changing the system is politically difficult, but "the pay-off in tackling the problems of high income support and of enforcement would be large in

terms of fewer people out of work, higher potential output, and improved public finances," it says.

The report is optimistic about Danish growth potential. Policies which have produced an inflation rate of only about 1.5 per cent and a balance of payments surplus close to 3 per cent of gross domestic product have laid the foundations for the country "to resume a sustainable path of further growth," it says.

But it warns against further relaxation of fiscal policy, which was loosened considerably by the budget for 1993.

The OECD forecasts a 2.1 per cent GDP growth rate for Denmark in 1993, which is slightly higher than the latest Danish government forecast and reflects a higher OECD forecast for export growth.

INVITATION FOR INTERNATIONAL PUBLIC TENDER

CONCESSION OF DRINKING WATER AND SEWAGE DRAINAGE SERVICES CURRENTLY PROVIDED BY DIRECCION PROVINCIAL DE OBRAS SANITARIAS (DIPOS) [PROVINCIAL BOARD OF SANITARY WORKS] OF THE PROVINCE OF TUCUMAN

Law N° 6071, Decree Ac. N° 07/1 - 93; Decree N° 288/93

FIRST STAGE

OBJECT:
CALL FOR PREQUALIFICATION OF BIDDERS INTERESTED IN THE CONCESSION.

OPENING OF TENDERS

PLACE: HOUSE OF GOVERNMENT, White Hall, located at 90, 25 de Mayo St., 1st. Floor, City of San Miguel de Tucumán, REPUBLIC OF ARGENTINA.

DATE: April 19, 1993 (19.04.93) at 12.00 a.m.

VALUE OF BIDDING CONDITIONS: U.S. \$ 10,000.- (U.S. Dollar Ten Thousand).

SALE OF AND ENQUIRIES UPON BIDDING CONDITIONS: Bidding Conditions may be enquired upon or purchased as from February 18, 1993, (18.02.93) at the DIRECCION PROVINCIAL DE OBRAS SANITARIAS (DIPOS), Telephone 31-0162 Fax 31-0297, located at 129 Monteagudo St., in the City of San Miguel de Tucumán (Mail Code 4000), Republic of Argentina, or at the CASA DE TUCUMAN, located at 823 Bartolomé Mitre St., in the Federal Capital City of Buenos Aires, Republic of Argentina, Telephone: 40-4994 / 40-0655 - Fax 40-5185.

SUBMITTAL OF TENDERS: Bidders may submit their respective tenders at the DIRECCION PROVINCIAL DE OBRAS SANITARIAS (DIPOS), located at 129 Monteagudo St., in the City of San Miguel de Tucumán.

REPUBLIC OF ARGENTINA PROVINCE OF TUCUMAN

Ministry of Economy, Secretariat for Public Works and Services
Dirección Provincial de Obras Sanitarias (DIPOS)



640,000* French decision-makers always start the day with a full breakfast.

Among the many fine table traditions enjoyed in France, one is particularly suited to the taste of French decision-makers: les Echos, France's leading business newspaper.

The results of the 1991 European Business Readership Survey (EBRS) speak for themselves: les Echos is read by 61.4% of the country's top managers, who also put their trust in Enjeux les Echos, the group's monthly magazine. So whether you have a product to sell or you wish to raise your company's profile, now you know the best way to reach French executives in the morning, beside their croissants.

les Echos
Le Business Daily

Malaysia may buy \$700m Mig fighters

By Kieran Cooke
in Kuala Lumpur

THE cold war might be over but the arms race continues. For the past two days Mr Alexander Ruskol, vice-president of Russia, has been acting as an arms salesman in Malaysia.

The Malaysian air force wants a new generation of fighter aircraft. After considering French and Anglo-German-Italian fighters, the choice has come down to the Russian Mig 29, the General Dynamics F-16 or the McDonnell Douglas F/A-18. The value of the initial fighter contract is estimated at anywhere between \$700m (\$493m) and \$1bn.

This increasingly hard-nosed battle between Russia and the US comes at a time of growing defence spending in many Asian countries. Nervousness has set in following the closure of US bases in the Philippines. There is concern that conflicts might arise over ownership of the Spratlys - a group of islands in the South China Sea claimed by China, Vietnam, Taiwan, Malaysia, the Philippines and Brunei.

The increasing power of China's armed forces is worrying many in the region. China purchased nearly \$2bn worth of arms from Russia last year, including advanced Su-27 fighters, and is considering buying a Russian aircraft carrier.

Yesterday, in a meeting with Dr Mahathir Mohamad, the Malaysian prime minister, Mr Ruskol is believed to have offered to set up various spare parts and technical facilities in Malaysia for the Mig. Malaysia's defence spending is rising by more than 20 per cent this year.

"It is in our interests to see that there will be no vacuum in the region, as it may result in a new area of conflict," says Mr Najib Abdul Razak, Malaysia's defence minister.

Last month Malaysia signed a memorandum of understanding with India on defence co-operation. India, which already builds and operates the Mig 29, may help Malaysia establish its new fighter force. McDonnell Douglas and General Dynamics have countered



Ruskol: big gun

by offering what are said to be considerably reduced sale prices for their fighters. A US delegation was here last month in an effort to thwart the Russian bid.

Initially the Malaysian air force is expected to buy between 18 and 20 fighters, with options on 40 more. Russia is also believed to be offering to sell Malaysia a number of its large Mig 35 helicopter gunships and a variety of other weaponry.

The Russians say the Migs can be delivered within six months. US manufacturers are likely to take considerably longer. Russia is also reported to be willing to accept some form of barter payment from Malaysia for a portion of the sale - possibly palm oil.

Military analysts say that by buying the Migs Malaysia would upset a growing trend towards air force co-operation inside the Association of South East Asian Nations (Asean). Other Asean air forces have western equipment. If Malaysia does buy Migs it will be the first big arms sale by Russia in the Asean region.

Indonesia, the Philippines and Burma are all at present being courted by Russia's arms dealers. Earlier this year Indonesia announced plans to buy 39 vessels belonging to the former East German navy, all made in what was the Soviet Union.

US longer in Somalia

US forces may have to stay in Somalia in large numbers for another two months before the United Nations takes command of military operations, the US military said yesterday. Reuter reports from Mogadishu.

The process could take even longer if the UN Security Council does not pass a resolution setting up a peacekeeping force for Somalia this week, Colonel Fred Peck said.

15,000 troops in Somalia, plans to contribute 5,000 to the new UN force which will take over the task of protecting relief supplies, disarming militias and encouraging reconciliation.

Mr Robert Oakley, US special envoy to Somalia, declined to predict how long it would take to complete the process of transition from Unifac to Unosom 2, the slightly smaller UN force that will take over.

Relations between UK and Iran dip further

By Roger Matthews,
Middle East Editor

THE sharp deterioration in diplomatic relations between Iran and Britain, caused mainly by the row over the author Mr Salman Rushdie, is threatening to spill over into the commercial field.

The decision by Iran this week to begin charging \$204 for visas for UK businessmen visiting Tehran is posing doubts over future trade missions, while the latest British restrictions on the export of sensitive material may spark further Iranian retaliation.

Mr Gholamreza Ansari, the Iranian chargé d'affaires, was called to the

Foreign Office yesterday to be told that the Department of Trade and Industry would not approve licences for items on international lists of banned military or atomic energy equipment.

Iran has strenuously denied accusations that it is seeking to build nuclear weapons, but admits it would like to acquire nuclear technology for civil purposes. It also claims its military re-equipment is much smaller than other countries in the region.

The Iranian embassy in London said yesterday the decision to charge \$204 for a visa, as against the \$14 levied previously, was direct retaliation for a similar rise in charges made by Britain last year.

British officials insist however that the \$20 charged for a visa in Tehran is in line with other European countries. The change made by Britain was to calculate the visa charge at the free market rate of exchange, instead of the old official rate. This meant that in terms of Iranian rials the cost went up from \$1,200 to \$250,000. A central economic reform instigated by President Ali Khamenei has been to move more of Iran's foreign transactions on to the free market rate of exchange.

An Iranian official said the new charge would apply to everyone applying for a visa in London, but there might eventually be exceptions. The decision is causing the London

of Chamber of Commerce to reconsider a trade mission to Iran planned for May. Some 15 companies have signed up for the trip with another 25 registered as possible participants.

In January, the Energy Industries Council was forced to abandon a similar mission to Iran when approval for visas failed to materialise.

UK and Iranian officials say the row over visa charges is distinct from the clash over the death penalty passed by Iran on Mr Salman Rushdie over the publication of his book *The Satanic Verses*.

The British government's decision to give greater publicity to Mr Rushdie's plight has clearly angered the Iranians. In the past fortnight, Ayatollah Ali Sayed Khamenei, Iran's spiritual leader, has thrown his weight behind the fatwa, or religious ruling, against Mr Rushdie and this ruling was later supported by the Iranian parliament. The issue will be given further prominence when Mr John Major, the UK prime minister, carries out his promise to meet Mr Rushdie.

Iran has been an increasingly attractive market for Britain, with exports up by 20 per cent to \$340m (£577m) in the first nine months of last year. But with Iran falling further behind in paying letters of credit and oil revenues static, ministers in Tehran have warned of a cut of up to 50 per cent in imports for the financial year beginning March 21.

Floating rupee rises in forex market

By Stefan Wagstyl
in New Delhi

THE flotation of India's rupee, announced in the annual budget at the weekend, got off to a smooth start yesterday, with the currency rising modestly against the US dollar.

The rupee closed at Rs31.85 to the dollar yesterday, compared with Rs32.78 at the opening and Rs33.58 at the end of trading last Friday, the last day before Mr Manmohan Singh, the finance minister, disclosed his plan to float the currency.

The government has abolished the former two-tier exchange rate in which exporters and other earners of foreign exchange were obliged to change part of their funds into rupees at a low official rate.

This low-cost foreign currency was used by the government to import oil and other commodities.

In place of the two-tier sys-

tem, the rupee has been made fully convertible on the trade account, though numerous restrictions remain on Indians acquiring currency for other purposes.

Dealers in Bombay said trading was quiet yesterday with the Indian Oil Corporation, the state-owned oil company and a major importer, staying out of the market.

It was "a very smooth transition," said a dealer at the Bank of Baroda, an Indian bank, and quite unlike the hectic trading which prevailed when the two-tier rate system was introduced only a year ago.

Meanwhile, in the stock market, shares continued their post-budget decline with the Bombay stock market's leading share index falling 27.36 to 2,543.82.

However, stocks closed well above the day's low of 2,494.52, indicating that the sharp correction may be over.

Ghost of bureaucracy haunts Indian trade liberalisation

By Michael Cassell,
Business Correspondent

"IT IS one thing for the Indian government to talk about trade liberalisation and opening up its markets to foreign competition. Let's hope their customs officers get the same message."

The note of scepticism, given in response to last weekend's budget package from Mr Manmohan Singh, India's finance minister, came yesterday from the chief executive of a Yorkshire-based textile company with years of experience of trying to sell in India.

The unnamed businessman, anxious not to offend, said experience demonstrated that central government initiatives did not necessarily have much relevance to those trying to win business on the ground in India.

"Unless the message that the rules are changing permeates

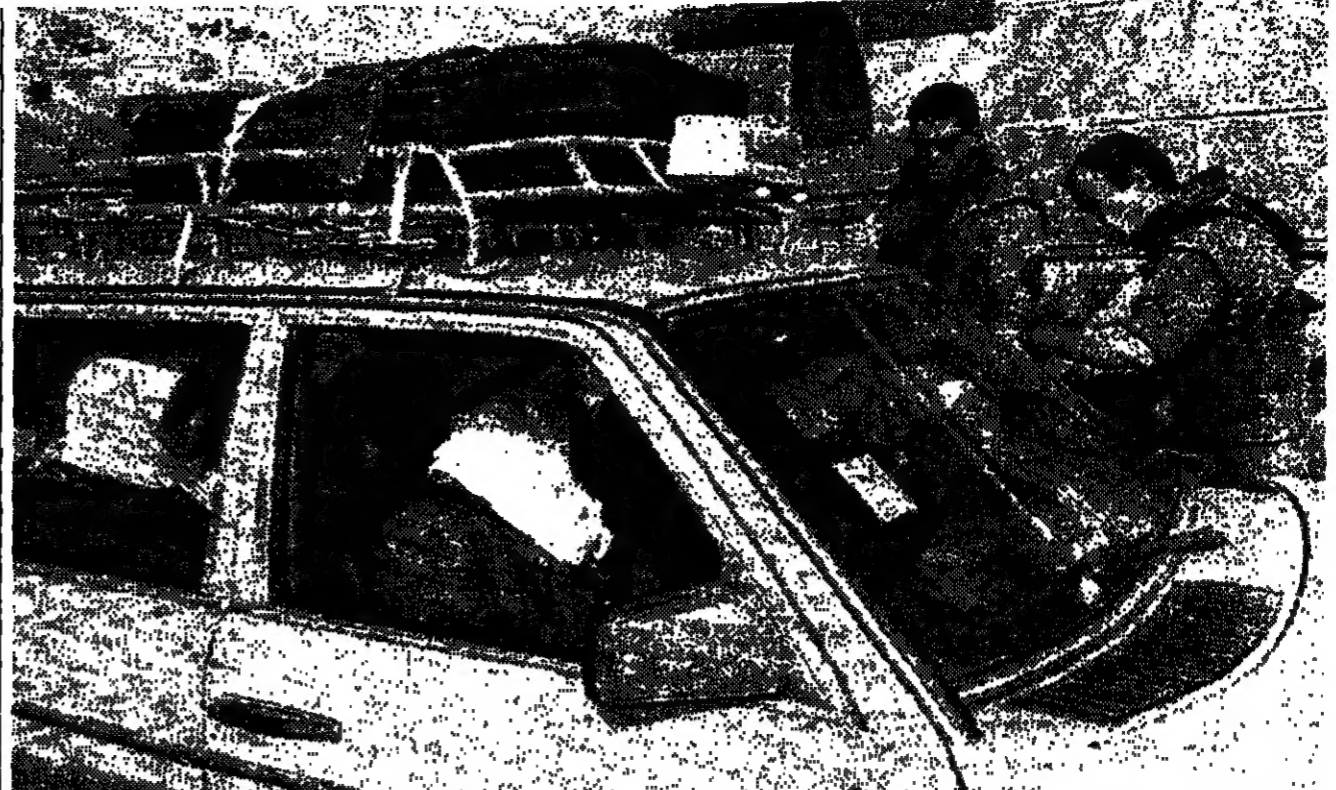
right down through India's bureaucracy," he added, "no end of budget initiatives intended to boost trade will be of any use."

Despite such reservations, India's decision to go for expansion, float the rupee and slash import duties, the budget has been well received in the UK.

There is plenty of business at stake. Figures just compiled by the Department of Trade and Industry show that Britain sold \$945.5m worth of goods to India in 1992, including industrial machinery, power generating equipment, organic chemicals, metals, scientific instruments and transport equipment.

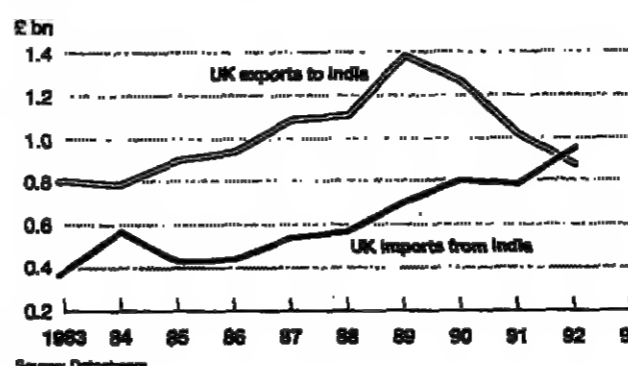
In return, India exported to the UK products worth \$282m during 1992, including yarns, textiles, finished clothing, footwear, tea, cocoa and animal feedstuffs.

Following the delegation of UK businessmen to India in



Israeli troops at a Gaza checkpoint motion a taxi to turn back after the Strip was sealed following Monday's stabbing attack in Tel Aviv by a Gaza resident which left two people dead and nine wounded. Later Palestinians killed an Israeli who drove into a refugee camp. Meanwhile in Cairo, the Arab League called for immediate international action to protect Palestinians in the occupied territories

UK: Indian trade



Source: Oxfam

January, led by Mr John Major, the prime minister, expectations are high that trade in both directions can expand significantly.

The visit resulted in the creation of the Indo-British Partnership Initiative, which is intended to foster political and business links between the two

countries. Mr Robert Evans, the chairman of British Gas, who is leading the new organisation, welcomed the budget.

He said the measures would advance the considerable potential for trade with India and provide a "kick start" to the new initiative which fol-

lowed the January visit.

British Gas itself is anxious to expand business in India. The company has just overcome competition from Europe and Asia to win exclusive rights from the Gas Authority of India to establish a \$32m natural gas supply system in Bombay.

A spokesman said India's further consolidation of liberalisation reforms should further help business prospects.

The power generation sector also gave a warm welcome to the budget measures. Mr Graham Hadley, a director of National Power, said he was encouraged by the specific budget references to the power industry, which reflected the government's acknowledgement of the sector's role in the country's economic development.

He took a "bullish" view of the proposals and added: "The package offers further evidence

the Indian government takes seriously the need to change the rules to attract inward investment, particularly for capital intensive and infrastructure projects."

Unilever, the Anglo-Dutch conglomerate which already has extensive food, tea and personal product businesses in India, said the budget offered "very positive vibes" for future business.

The government, a spokesman said, was "clearly on the road" towards further liberalisation and the encouragement of a growth in trade.

Companies such as GEC-Alsthom, the Anglo-French engineering group which has recently won a £140m high-voltage converter station to link regions of the country's electricity system, are also keen to develop new markets in India and will welcome measures intended to make access easier.

Jobless rate in Japan falls to 2.3%

By Charles Leadbeater
in Tokyo

JAPAN'S unemployment rate unexpectedly fell in January to 2.3 per cent, although government economists cautioned that the fall was likely to be temporary.

The Management and Co-ordination Agency said yesterday the seasonally adjusted unemployment rate in January fell from 2.4 per cent in December. The fall largely reflects a strong growth in employment in the construction sector which is enjoying a surge in orders from public works programmes.

The main federation of construction contractors yesterday announced an 8.6 per cent increase in orders in January compared with last year, the first rise in order intake for 10 months.

It is likely, however, that unemployment will grow over the next few months as manufacturers attack their costs by laying off workers.

In the past two weeks leading employers such as Nissan, the carmaker, and NTT and KDD, the telecommunications groups, have announced plans for sweeping job reduction programmes.

Toyoko, the textiles company, yesterday announced it was suspending production at

10 of its factories for between four and eight days this month to help reduce production by 20 per cent. About 3,000 factory workers will be paid to stay at home during the shutdowns.

The aggregate employment figures disguise subtle shifts in the character of the workforce which are helping to restrain the growth in officially recorded unemployment.

The ratio of job offers to applications rose from 0.92 in December to 0.93 in January, which means there were 93 job offers for every 100 people looking for work.

The improvement in the ratio was mainly caused by a sharp drop in the number of

people looking for jobs, which fell by 3.1 per cent between December and January as many women withdrew from the workforce. Manufacturers, in particular, are cutting deeply into recruitment with a 28 per cent fall in job offers.

Employment rose by 0.5 per cent, the smallest increase since 1987, with a 6.3 per cent increase in construction employment and a 1.5 per cent rise in the service sector offset by a 1.5 per cent fall in manufacturing.

A substantial part of the rise in service sector employment is accounted for by a growth in part-time jobs at the expense of full-time jobs.

Clinton urged to step up pressure against China

By Tony Walker in Beijing

A New York-based human rights organisation has urged the new US administration to increase diplomatic and economic pressure on China to bring about political change.

Asia Watch, a division of Human Rights Watch, said that President Bill Clinton should ensure that "clear and verifiable human rights conditions" be attached to any renewal of China's Most Favoured Nation trading status.

In a report, titled "Economic Reform/Political Repression", Asia Watch denounced China's

attempts to present a more benign face to the world, saying there was little sign of genuine political liberalisation to match economic reforms.

In spite of China's "smile offensive" thousands of pro-democracy activists remained in prison and political opposition to the Communist party was heavily repressed, the report said.

Congress requires the president to decide annually whether China's human rights record warrants continuation of MFN. Mr Bush continued to approve MFN, arguing this would strengthen reform elements in China.

Tunisia takes economic success to N Africa

IN sharp contrast to its neighbours, Tunisia has quietly and steadily pulled off an economic turnaround in the last six years.

But as it completes the first phase of reform, aimed at curbing the country's serious economic imbalances, the Tunisian government faces real obstacles to further adjustment. Stabilisation policies are now giving way to a dismantling of the command economy, and with liberalisation is coming resistance.

Strict austerity since 1986 has brought the budget deficit down from 6.7 per cent of GDP in 1984 to 2 per cent last year, while inflation is down to 6 per cent from a high of more than 10 per cent. Subsidies on food staples and agricultural products have been cut from 3 per cent of GDP to 2 per cent over the last six years, with remaining subsidies now targeted at poorer Tunisians.

Meanwhile, economic growth has averaged 6.6 per cent over the past three years, more than three times the rate of population growth.

But, as Mr Aziz Krichen, a Tunisian academic, argues in "The Bourguiba Syndrome", the real battle to modern-

ise Tunisian society is now being fought in the economic sphere.

Reforms to date have been backed by a steady flow of World Bank loans, worth \$400m (£281.6m) last year and \$300m in 1993, and have been helped by the country's political stability, which has survived the upsurge in Islamic fundamentalist tensions since Mr Zine El Abidine Ben Ali succeeded

billings impact of religious extremism in the region, the new phase of reform amounts to the most demanding test of President Ben Ali's skills since he took office nearly five years ago.

One of the main obstacles to reform is a banking system which bears all the hallmarks of a command economy: it is overstaffed, has accumulated many bad loans and is often run

But President Ben Ali faces a demanding test of his skills, writes Francis Ghilès

Mr Habib Bourguiba as president in November 1987.

Foreign currency restrictions have been lifted, foreign investors no longer require prior agreement from the central bank to repatriate their capital investments or remit profits, and Tunisians have seen their foreign currency allowances doubled.

Vested interests in the civil service and industry are now to be challenged by reforms aimed at raising industrial productivity, enforcing quality control and boosting exports.

Together with the potentially desta-

by former hierarchs of the Central Bank who have little understanding of the needs of the economy.

Recent economic news has been good. Hard currency receipts from over 3m tourists were worth close to TD1bn last year, an increase of more than 50 per cent on the 1991 figure, as the country attracted Europeans who, in more settled times, travelled to Yugoslavia. Three good harvests have also played their part.

But ministers are concerned about the growing trade deficit, which is estimated to have increased last year

from TD1.35bn to TD1.65bn. Imports rose faster than expected as Tunisian businessmen took advantage of more liberal import policy - with 85 per cent of imports now free of duties.

Simultaneously, export growth slackened, although some factors such as the Mediterranean glut of olive oil, of which Tunisia is a major exporter, are temporary. Others are more structural. Demand in the EC, Tunisia's principle market, has weakened, most notably for leather and textiles.

Younger Tunisians are pushing the government to become more accountable and to stop changing rules abruptly and without explanation, while managers are seeking greater freedom. These reformists do not hide their resentment at what they consider the arbitrary methods of customs and tax officials, who one respected Tunisian businessman bemoans as having "the mentality of the tax inspector who believes every private investor is out to defraud the state".

Such attitudes, they argue, act as a brake on investment, particularly at a time when domestic interest rates stand at 15 per cent.

Overall, however, investment is increasing, from TD2.7bn in 1990 to TD3.46bn last year. TD3.3bn of which is domestic. With public investment reined in by government efforts to cut budget and public company deficits, private investment, worth TD1.5bn last year, has now overtaken the contribution made from public funds.

Foreign investment has not grown overall, the bulk of it going to the energy sector but the volume of funds going into manufacturing has surged from TD25m in 1988 to TD52 last year. Well known international names such as Alcatel, Siemens, BASF, Ericsson, Goldstar and Sony are now manufacturing in Tunisia. The US corporate presence has traditionally focused on the oil sector, but Sara Lee in the textile sector and AT&T in telecommunications are now considering setting up in Tunisia, where labour costs are, on average, one quarter of those in the EC.

Creating new jobs is now vital for both economic and political reasons as unemployment remains fertile breeding ground for religious fundamentalism.

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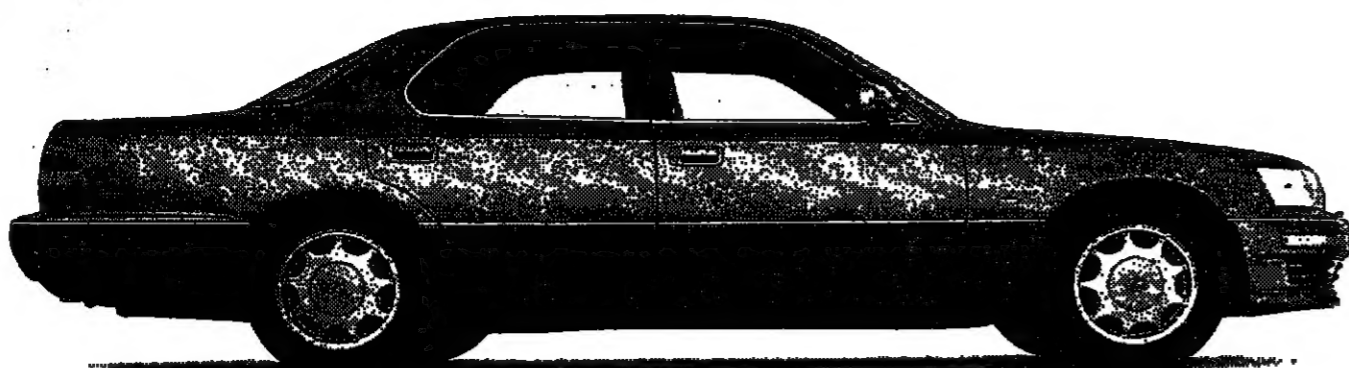
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Critics described the original
Lexus as 'near perfect.'
Perhaps they'll be a little more
complimentary this time.

Faced with the first luxury car to have been built from scratch in decades, motoring journalists weren't lost for words. "Imagine a big saloon that is faster than a BMW 735i, quieter than a Jaguar Sovereign and as meticulously engineered as a Mercedes. The Lexus LS400 is all these things and more," was the way one journalist summed it up.

Its V8 engine, unusually economical for a luxury car, was also said to be "as silent as a Trappist monk, as smooth as a 40 year old malt and able to waft the big car past slower traffic like an invisible helping hand."

Perhaps as telling as any comment for a luxury car was the one which declared, "its smoothness and quietness impress most. No Rolls Royce I know can match it for mechanical refinement."

Then, in its first year, the Lexus was named Luxury Car of the Year by What Car?

Pleasing though this reception was, we didn't let it flatter us into a standstill. Instead, we immediately set about improving the Lexus.

In fact, the 1993 LS400 has almost fifty refinements. Some, naturally, are subtle. A quieter boot lock and a light inside the seat belt buckle, for instance. Other refinements are more substantial. There are additional safety measures such as an airbag fitted as standard for both passenger and driver and seat belt pretensioning.

Engine modifications enhance the LS400's already impressive fuel consumption figures, now returning 35.3 mpg at 56 mph, making them the best in the category.

Only last November, What Car? named the Lexus LS400 their best luxury car again. Which is quite promising for the new model. They were still judging the original.

Now you can enjoy the 1993 Lexus LS400 yourself. To arrange a test drive call **Freefone Lexus**. We invite you to be as critical as you like.

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THE LUXURY DIVISION OF TOYOTA

NEWS: THE AMERICAS

Little opposition to economic proposals on Capitol Hill

Republicans ponder Clinton plan

By George Graham
in Washington

PRESIDENT Bill Clinton yesterday embarked on 24 hours of meetings with his Republican opponents on Capitol Hill. Give the extent to which they have attacked his economic plan for raising taxes too much and cutting spending too little, the visit might seem a foolhardy running of the gauntlet.

However, the Republicans have had so little success in agreeing on a strategy to counter the Clinton plan that the president seemed likely to emerge unscathed.

Senator Robert Dole, the Republican leader in the Senate, said he and his colleagues had no plans to insult or criticize the president, but were reluctant to offer specific proposals for amending Mr Clinton's plan unless they received some assurance that they would be considered seriously.

"If we come up with some alternatives, will he seriously negotiate those, or are we just playing games?" Mr Dole asked yesterday morning.

Ms Dee Dee Myers, the White House press secretary, responded that Mr Clinton would be more than happy to entertain specific ideas from the Republicans for spending cuts.

"There's obviously some philosophical disagreement between the president and the Republican leaders. That doesn't mean he is not willing

to listen to their specific suggestions to add additional spending cuts or make the plan better," she said.

The White House has so far concentrated on ensuring a reasonable degree of party loyalty among Mr Clinton's Democratic supporters, who hold majorities in both the House and the Senate. This is likely to be enough, at least to secure an early budget resolution containing the broad outlines of Mr Clinton's plan.

Mr Robert Michel, the Republican leader in the House, concedes that he will

probably not be able to win over enough Democrats to block passage.

But when Congress starts to consider the plan in detail this summer, Mr Clinton may need Republican votes to counter Democratic defections, particularly to ensure the survival of cuts in agricultural subsidies that are popular with many rural congressmen.

The Republicans, however, remain deeply split over how to react to the Clinton plan.

This split is partly over tactics, between those who believe that their job is to ensure that

the Clinton plan passes in a form that is as unobjectionable as possible, and those who argue that the task of the opposition is to oppose.

But it is also over ideology - between the traditional deficit hawks, who want to concentrate on proposing deeper spending cuts than Mr Clinton has included, and the supply side idealists, who insist that cutting taxes is the only answer.

If they cannot come up with a persuasive response, they could be outflanked by public support for Mr Clinton's pro-

posals, which have won the approval of 59 per cent of those questioned last week for a Washington Post-ABC News poll.

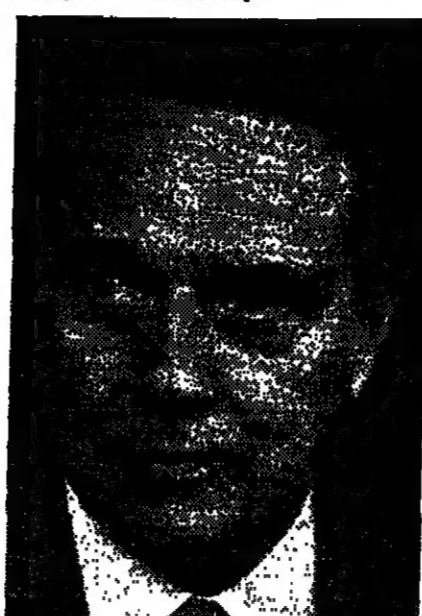
Most of those questioned said the Clinton plan would hurt them personally, but 62 per cent believed, nevertheless, that it would help the economy. And although more than two thirds felt Mr Clinton was not doing enough to cut the deficit or reduce government spending, a majority also wanted him to go further in taxing the rich and stimulating the economy.



Clinton: emerging unscathed



Michel: unlikely to succeed



Dole: no plans for insults

US new home sales decline by 13.8%

By Michael Prowse
in Washington

US SALES of new homes plunged 13.8 per cent between December and January, but the figures may have been distorted by bad weather, Commerce Department figures indicated yesterday.

The official index of leading indicators - a guide to future economic developments - stagnated in January, a setback after big increases in preceding months.

Analysts said the reports confirmed other recent data suggesting the pace of economic growth had slowed from an annual rate of nearly 5 per cent in the final quarter of last year to an annual rate of perhaps 3 per cent.

Some forecasters, however, are growing more bearish. Mr Allen Sinai, chief economist at The Boston Group, an economic consultancy, said economic growth might dip to an annual rate of only 1.3 per cent in the current quarter,

raising doubts about whether or not the upturn can be sustained.

The drop in new home sales to a seasonally adjusted annual rate of 561,000 in January was the steepest in 11 years and left sales at their lowest level in eight months. Sales were 17 per cent lower than in January last year, a strong month for the housing market.

However, most of the decline occurred in the north-east and west, regions affected by bad weather conditions. Sales in

the south were unchanged and sales in the Midwest dipped only modestly.

Sharp falls in mortgage rates and a recent decline in the "affordability index" - the ratio of house prices to incomes - are widely expected to underpin the market this year.

Mr Bruce Steinberg, senior economist at Merrill Lynch, the Wall Street brokerage, predicted "very robust growth" in the home-building sector" later this year.

The index of leading indicators rose 0.1 per cent in January after robust increases of 0.7 per cent and 1.7 per cent in November and December.

Components of the leading index moved in opposite directions, with five indicators signalling expansion and six contraction.

The positive indicators included a rise in unfilled orders for manufactured goods, higher prices for sensitive materials and a longer average working week.

Mexican air traffic control deal upheld

FIVE multinational companies which protested at the award of a \$21m (£15m) contract to install a new air-traffic control system in Mexico have lost their battle to have the contract overturned.

Mexico's government watchdog announced last month that it had found no irregularities in the contract tender and rejected the complaints.

The five - IBM Air Traffic Control, Calmaquip of Miami, Raytheon's Canadian subsidiary, Siemens Plessey Electronic Systems and Nissio Iwai - had complained that an initial tender offer for the contract was unjustifiably cancelled by the Mexican Ministry of Transport and Communications. It said none of the bids complied with the contract requirements, a statement contradicted by each company.

Mr Kaveh Moussavi, an agent then acting for IBM, further claimed that three men, whom he took to be government officials, asked him for \$1m to secure the contract. He refused to pay and 10 days later the tender offer was cancelled.

Mexico's General Comptroller of the Federation investigated the complaints lodged by the five companies for several weeks before concluding that the contract was justifiably awarded to Thomson of France and Alenia of Italy in a second tender.

In supporting its case, the comptroller showed excerpts

Foreign bidders are unhappy with ruling, report Damian Fraser and Stephen Fidler

from an independent report by the Canadian subsidiary of Martin Marietta of the US, which indicated where the losing companies had not complied with the original specifications in the first tender. The comptroller also said that it was unable to pursue Mr Moussavi's allegations, because he had offered no names or evidence of his encounter.

Mr Moussavi, however, says the government investigation into his claims was perfunctory. He was denounced on pro-government television and threatened with prison by the minister of transport and communications, actions which he said would deter future whistleblowers.

The investigation has been criticised by others. A foreign diplomat said that a "major weakness" in the government's investigation was that the comptroller was limited to looking at procedure and rules, and not at the quality of the different technologies.

Calmaquip maintains that it complied with the required specifications. Mr Armando Paz, its chief financial officer,

has demanded to see the background papers of the Martin Marietta report.

Complaints by foreign companies about the awarding of contracts are not rare in Mexico: the comptroller reports there were 400 last year, about 1 per cent of all government contracts.

The number of complaints may reflect in part differences in business practices in Mexico and the US. As the diplomat said: "In the US and Canada performance details [of the technology] are more significant than the absolute adherence to the letter of the contract. In Mexico any deviation from code, however unimportant, can lead to disqualification."

However, such deviations are sometimes overlooked if a company establishes good relations with those issuing a contract, according to a businessman representing a big British company in Mexico. "In Mexico, a decision is often based on who they know and trust, so good contacts can be invaluable."

"While I do not pay bribes, our Mexican agents can share their commissions," he said. He believed this was common practice.

Encouraged by the proposed North American Free Trade Agreement, more foreign companies are contemplating business in Mexico. The issues of transparency and accountability in the awarding of government contracts are not likely to go away.

NBC chief resigns over GM film

By Karen Zagor in New York

NBC News yesterday announced the resignation of its president, Mr Michael Gartner, in an attempt to limit damage to the news division of America's third-ranking television network from the rigging of a broadcast test of a General Motors truck last year.

Mr Gartner, president of the division since 1988, said he told NBC last year of his plans to leave in August. He said he had hastened his departure announcement because of

recent controversies.

In November, NBC's Dateline current affairs programme aired pictures of a blazing GM truck without telling its 11m viewers that it had attached small incendiary devices to the truck to make it burst into flames during a collision.

In February, NBC issued an on-air apology to GM, America's biggest carmaker, after it

launched a suit for defamation against the network. GM is struggling against bad publicity over the safety of its C/K pick-up trucks built between

1973 and 1987, which have been the subject of lawsuits and government investigations.

An internal investigation of the GM affair is expected to be completed this week. Mr Don Browne, NBC News executive vice-president, will assume Mr Gartner's responsibilities while the network searches for a successor.

This is not the only search going on at NBC. The network's parent, General Electric, is believed to be interested in selling NBC if it can get the right price.

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Political solution on exports 'now more likely'

EC and Japan fail to agree car quotas

By Michio Nakamoto
in Tokyo

THE EC and Japan failed to agree on quotas for Japanese car exports to the EC, after two days of negotiations which closed in Tokyo yesterday.

The failure to reach an agreement increases the possibility that the negotiations on whether Japan should reduce its car exports to the EC, and to what extent, might be settled by a "political" solution, according to an official of the EC Commission.

"There is a recognition on the two sides that 1993 will be a year of contraction of the EC automobile and light commercial vehicle market," Mr Robert Verrue, director in charge of the internal market and general affairs at the Commission, said in Tokyo yesterday.

The EC and Japan have agreed to monitor Japanese vehicle exports to the EC to pave the way for a smooth transition to unrestricted

exports by the year 2000. Until then a quota based on the outlook for the EC vehicle market would be used to restrict Japanese exports to the EC.

However, the two sides have not been able to agree on the outlook for demand in 1993. The EC has said demand in the European market would fall considerably from 1992, while Japan had, until recently, been forecasting that the EC market would expand in 1993.

Japan now accepts that demand will fall this year, but the EC, which in December had forecast a decline of about 2.6 per cent in registrations, now believes it will fall even further, by 4-6 per cent.

The EC's stance is that since market demand is falling Japan should share the burden of cutting supply by reducing the level of its exports from 1.19m units in 1992. "Otherwise we would fear that markets would be under strains and sometimes under excessive strains," Mr Verrue said.

There is disagreement, in particular, on the forecast for the German market, which because of its size would have a considerable impact on the overall quota.

The Commission was careful to emphasise that while it took into account all factors, including the level of Japanese local production in the EC, in arriving at a market forecast, the negotiations with Japan on a quota concerned Japanese exports alone and not cars made in the EC.

As a result of the failure of the talks, the two sides will meet again, possibly within the month, to continue their talks, but Mr Verrue emphasised that there was likely to be only one more meeting.

The state of the vehicle market in 1993 was expected to be so bad that unless agreement was reached "the way the burden would be shared... would be in the end be subject to a political decision," Mr Verrue said.

Nissan to export Spanish 4WD vehicles to Japan

By Kevin Done, Motor Industry Correspondent, in Geneva

NISSAN, the Japanese car maker, is to start exporting vehicles from its Spanish plant in Barcelona to Japan next year with planned volumes of up to 12,000 a year.

Shipping four-wheel-drive (4WD) leisure/utility vehicles from Spain will be the second export programme from Europe to Asia for Nissan, which already exports up to 10,000 cars a year to Japan and Taiwan from its UK car plant in Sunderland.

Nissan said it planned to export 10,000 units of its new Spanish-built Terrano II four-wheel-drive vehicle to Japan in

1994, rising to 12,000 a year.

Nissan Motor Iberica, its majority-owned Spanish subsidiary, said yesterday that it had plunged into a loss of Ptas14.37bn (\$121.8m) last year in the midst of its ambitious expansion programme.

Mr Juan Echevarria, Nissan Motor Iberica executive chairman, warned that the company did not expect to return to profit before 1995.

Continuing losses and rising indebtedness, combined with the company's commitment to a heavy capital expenditure programme, are expected to force a capital restructuring.

Nissan Motor Iberica has spent more than Ptas100bn on capital spending and product development in the past two

years, however, to try to transform itself into a maker of vehicles for the European passenger car market based on its Serena people carrier and the Terrano II.

It said yesterday it still planned to increase total vehicle production to 135,000 in 1995 from 79,450 last year. Output of the Serena is planned to rise to 20,000 this year from 8,700 in 1992, and output of the Terrano II is expected to increase from 35,700 this year to more than 64,000 in 1994 including the exports to Japan.

Some 22,000 Terrano IIs will be supplied to Ford, the US vehicle maker, which will market the vehicle under the name Ford Maverick through its own European dealer network.

Clinton goes quiet about minivans

Nancy Dunne on the campaign hit that was always out of tune

AS presidential candidate, Bill Clinton took a stand on minivans, attacking the "\$300m trade break" given to Japan in 1989, when the Bush administration declined to raise the US tariffs on minivans to 25 per cent.

Nowadays, Mr Clinton does not talk about minivans. The minivan controversy is not likely to appear on the list of American trade priorities, which is due to be released this week by the Office of the US Trade Representative. Nor did it receive a mention when the president gave what was billed as a definitive address on trade and international economics in Washington last Friday.

In fact, Mr Clinton could be in the process of backpedalling from his hawkish rhetoric on this particular issue.

During the campaign, Mr Clinton - intentionally or not - seemed badly briefed on minivans. He seemed convinced that the Bush administration had succumbed to lawfully-financed Japanese lobbyists and reclassified multi-purpose vehicles as cars, when they had always been trucks, in order to give the imports a lower tariff rate.

Although the reverse was closer to the truth, Candidate Clinton's tune played like a symphony in Detroit.

The US tariff on light trucks has been 25 per cent since 1964, when President Lyndon Johnson raised the duty in the infamous "chicken war" to punish West Germany. Later, when minivans and sport-utility vehicles became popular, it was debated whether, in fact, they should be classified as cars - with a 2.5 per cent tariff - or trucks.

After much controversy, the US Treasury Department in 1989 ruled that two-door multi-purpose vehicles generally would be classified as trucks, because their principle purpose

could be described as the transport of goods.

Four-door multipurpose vehicles were classified as cars - as they had been previously - because they were clearly designed for transporting people, the Treasury said. Vans with side windows and rear seats to accommodate at least two people were deemed cars.

This decision raised - rather than lowered - the number of multipurpose vehicles which were classified as trucks, the Treasury said at the time.

In 1989, about 239,000 minivans and sport utility vehicles entered the US. About 44 per cent were classified as trucks and 56 per cent as cars. Under the new definitions, 62 per cent would have been classified as trucks and 38 per cent as cars.

As a result of the ruling, US manufacturers have been able to retain such a dominant share of the market, that the US International Trade Commission found itself unable to sustain a finding of "injury" last year, when the domestic producers tried to raise the tariffs through a dumping action.

Having failed in that quarter, Detroit tried to secure the entire market through legislation.

A bill to raise the tariff made it through the House, but was stopped by the Senate Finance Committee, headed by the then Senator Lloyd Bentsen.

Mr Bentsen is now the Treasury secretary, in charge of the Customs Service, which makes him a key player on this issue, as well as many others. Reportedly the Treasury has produced four options doing nothing; raising all the tariffs for minivans and sports utility vehicles to 25 per cent; establishing a new tariff classification; or sending the whole matter back to Congress.

"It has been kicked down to working group level," said one

US visible trade balance



US 'in no hurry' over China talks

By Tony Walker in Beijing

CHINA and the US made some progress this week in talks on terms for China's entry to the General Agreement on Tariffs and Trade, but accord remains a "long way off," according to the chief US negotiator.

Mr Douglas Newkirk, assistant US trade representative for GATT, said after two days of talks that China had stepped back from previous understandings on entry terms for the world's fair trade regime.

Among these sticking points is China's apparent unwillingness to accept a safeguards system to prevent such developments as sudden surges in exports that might swamp the domestic markets of GATT signatories. China is also lukewarm about committing itself to a full market economy as an eventual goal.

Mr Newkirk said that before formal negotiations were suspended in 1989 - talks were frozen in protest at the army crackdown on pro-democracy activists - China had agreed to both the safeguards and market economy provisions. Discussions this week also

focused on US demands that China commit itself to a single national trade regime, full transparency in the publication of its trading regulations and the gradual elimination of non-tariff barriers.

Western officials say that China has made significant progress in liberalising trade policies, but much more needs to be done to improve market access for foreign business. They see the GATT negotiations as a useful device to push the Chinese to go further.

Mr Newkirk said the US was "not in any hurry" to conclude an agreement. "We're prepared to go as fast or as slow as they're prepared to go," he declared. The US made it clear that that unconditional Most Favoured Nation status for China was non-negotiable. The US government is obliged by Congress to review China's human rights record each year before granting MFN.

The US official's predictions of slow progress towards GATT accession for China are likely to disappoint and frustrate Chinese officials who had been predicting an early agreement.

EC asks Gatt to probe steel row

By Lionel Barber in Brussels

THE European Commission yesterday announced further moves under the disputes procedure of the General Agreement on Tariffs and Trade to resolve EC-US tensions provoked by Washington's decision to impose preliminary duties on some steel products.

The Commission said it had formally requested consultations under GATT's anti-dumping code, to check whether US actions on steel were consistent with GATT rules.

The announcement in Brussels came amid renewed challenges to ways the US Commerce Department calculates alleged material injury to the US steel industry, and extent of EC producer subsidies.

Despite the critical tone, EC officials stressed that Brussels intended to avoid escalating the steel dispute and was deliberately avoiding talk of retaliation.

The consultations under GATT aimed to "clarify" rather than reach a final agreement on steel subsidies, they said.

One way of avoiding definitive anti-dumping duties would be for GATT members to forge a multilateral steel agreement, phasing out steel tariffs in return for banning most subsidies. The US government could then ask US steel producers to drop their complaints against foreign producers.

The US International Trade Commission will vote on whether the steel industry has been injured on July 27.

DATA NETWORKING SOLUTIONS

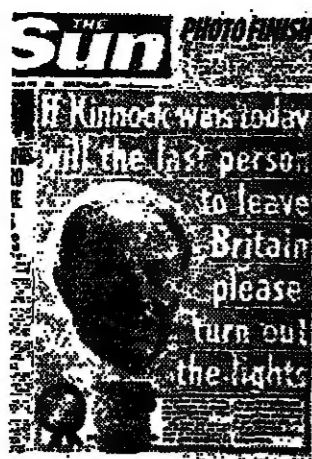
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NEWS: UK



The Sun on polling day

Tabloids flirt with Labour's favour

By Philip Stephens

IT'S THE Sun that won it, screamed the banner headline in Britain's best-selling down-market tabloid the day after Mr John Major's triumphant return to 10 Downing Street on April 10 last year.

The message was typically invidious but not unconvincing. The Sun had run a hopeless general election campaign.

The Sun had rescued them with its daily vilification of Mr Neil Kinnock's opposition Labour party.

How times change. Earlier this week Mr Kelvin MacKenzie, the Sun's irrepressibly flamboyant editor, hosted an intimate dinner for a select group of senior politicians.

But the guests ushered into a private room at London's Savoy Hotel were not drawn from the ranks of the Tory cabinet but he had helped re-elect. With the government's popularity crumbling, Mr MacKenzie preferred the company of Mr Tony Blair, Mr Gordon Brown and Ms Majorie Mowlem, the youthful rising stars of Labour's shadow cabinet.

But the Sun is far from alone among the so-called Tory tabloids in its shift.

To the delight of Mr John Smith's team - and the fury of 10 Downing Street - a potent mix of genuine disenchantment and crude commercial judgment has created a new warmth between Labour and its erstwhile enemies.

The economic recession, the bitter Tory infighting over Maastricht, Mr Kinnock's departure and the readiness of those like Mr Blair to dump Labour's ideological baggage have all contributed to the shift. The country is disgruntled and no tabloid can afford to move too far out of step with its readership.

The trend has been reinforced by the increasingly fierce competition resulting from a shrinking market - and by the opportunities to pick up Labour readers offered by the Daily Mirror's recent public rift with Labour.

A glance at Mr Smith's speech calling earlier this week for radical constitutional change tells the story.

The Daily Mail declared that Labour planned sweeping reforms of Britain's "crumbling" constitution. The Sun said he had dumped his party's "Big Brother" image. Today, another member of Mr Robert Murdoch's Wapping stable, dubbed him "Citizen Smith" for promising to put the individual before the state.

The change reflects an informal edict delivered by editors to their political journalists at Westminster: as long as the government is making a hash of things, the Labour party must be given a fair run.

Exasperation with the government if not outright support for Labour is reflected in the Sun's editorial columns: the tabloid declared that the only surprise of a recent poll was that as many as 20 per cent of people had expressed themselves content with the government.

There is an important caveat in all this. It is not uncommon for the tabloids to dilute their support for Tory governments between elections.

A lot can happen in the next four years. Few at Westminster believe that Mr Murdoch's papers would actively support Labour when it really counts. But in the meantime Mr Smith and his colleagues will enjoy Mr MacKenzie's claret instead of his more familiar vitriol.

Bank says ERM exit will not hit London

By Charles Leadbeater in Tokyo

BRITAIN'S departure from the European exchange rate mechanism will not damage the City of London's standing as an international financial centre, Mr Eddie George, the incoming governor of the Bank of England said yesterday.

Mr George, addressing executives from leading Japanese financial institutions in Tokyo, said doubts about the City's standing and the UK's commitment to European economic integration were misplaced.

Mr George, the central

bank's deputy governor, takes over from Sir Robin Leigh-Pemberton as governor in July.

Mr George was responding to Japanese concerns that their heavy manufacturing and financial investment in the UK might be damaged if sterling's exit from the ERM confined Britain to the sidelines of the European market.

He told a seminar organised by British Invisibles, the export promotion body for services, that London's position depended upon the completion of the single market rather than monetary integration.

Mr George said: "Monetary

integration is less critical than the single market to London's position which has not depended upon the currency in which business is conducted and has not depended upon the position of the national currency."

Even outside the ERM the Maastricht Treaty's convergence criteria for monetary union would still help to guide British policy. Mr George said that Britain would be as likely to satisfy the Maastricht convergence criteria as most other countries in the EC.

During a separate speech earlier yesterday, Mr George

said Britain is likely to face a sizeable underlying budget deficit even after its economy recovers from recession.

Mr George said the government would have to address the structural deficit. The only question was whether it did so immediately, with the economy still fragile, or waited until recovery was underway.

His remarks confirm the Bank's view that the government will have to embark on a sustained programme of fiscal consolidation even if recent cuts in interest rates and the depreciation of sterling spark a strong recovery. Mr George's

comments add weight to recent analysis by some City economists that suggest the UK faces a structural deficit.

In the first 10 months of this current financial year, the budget deficit stood at £21.6bn, compared with a surplus of £14.7bn in the 1988-89 financial year. Some pessimistic City analysts believe the deficit could rise to more than 10 per cent of gross domestic product within five years.

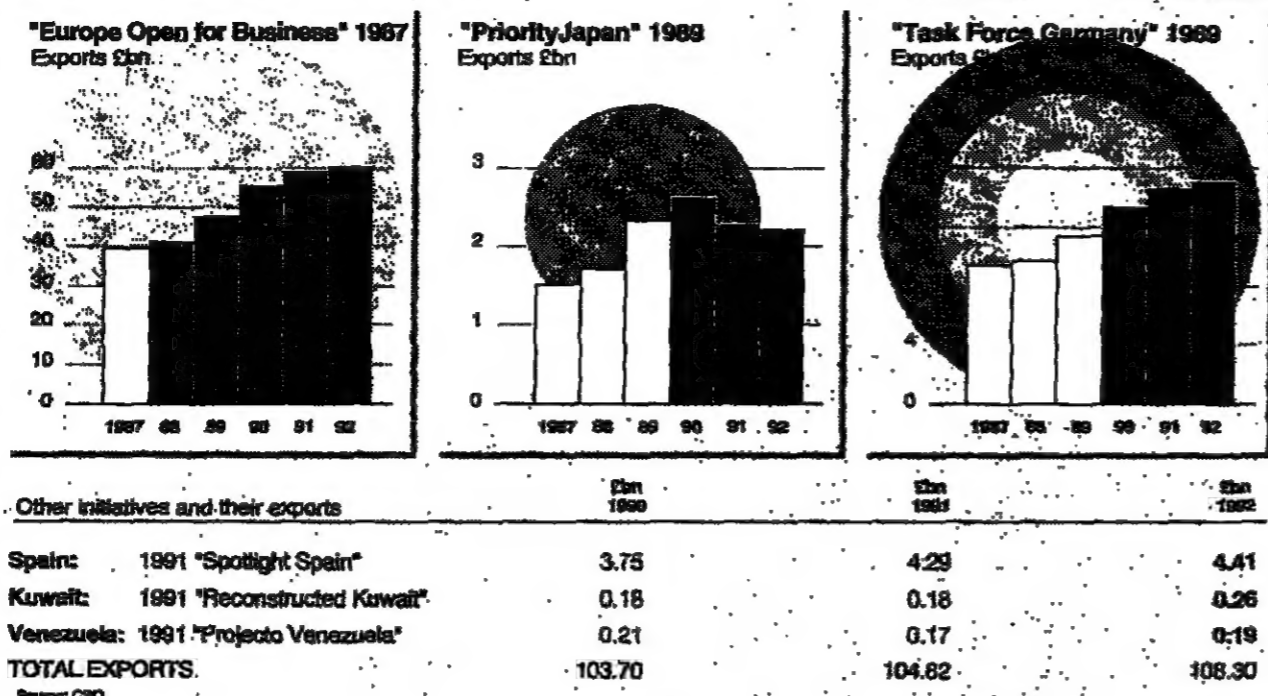
Mr George said: "I suspect a substantial underlying deficit will emerge which the government will in time have to address."

He said it was difficult to establish how much of Britain's growing budget deficit was due to the recession, which has pushed up social security and unemployment expenditures, and how much to a structural deterioration in the government's finances.

Mr George said Britain would start from a strong position with a relatively light rate of indebtedness as a proportion of gross domestic product, which meant it could be in a better position than most European countries to meet the convergence criteria for economic and monetary union.

Export promotions: are they on target?

Main UK campaigns and trade performances



'Disarray' hampers export efforts

ONE OF THE UK's most

ambitious export promotion campaigns -

North America Now - will be launched tomorrow at a time of fierce debate over how governments should best help exporters.

The US campaign is expected to include initiatives to counter criticism that government efforts have targeted the "export-ready", but have been less successful in pin-pointing the "export-willing".

A major concern for the British government is that a few exporters account for a large proportion of exports - 50 companies are responsible for about 44 per cent of visible exports totalling £108m last year. As a result, export promotion is invariably targeted at smaller companies, often with limited success.

There is widespread concern that government efforts to aid exporters often miss the mark. The value of export promotion campaigns - such as those focused on Venezuela,

David Dodwell examines fears that the government has failed to give adequate help on overseas sales

Spain and Kuwait over the past five years - has been queried, though export figures provide unclear evidence because they can be influenced by forces ranging from recession to currency fluctuations.

Mr Simon Sperry, chief executive of the London Chamber of Commerce says there is disarray on how export services are delivered, with too many agencies competing for funding.

At the Institute of Export, Mr Ian Campbell asks when organisations such as the Institute of Freight Forwarders, the CBI, Institute of Marketing, chambers of Commerce, and the Institute of Directors, last met jointly, or co-ordinated efforts. "We need a more co-operative corporate structure," he says.

Apart from concern that

there is too little money for export promotion, there is criticism about lack of continuity at the DTI, which has had 16 trade secretaries in 24 years.

Mr Michael Heseltine, the present trade secretary, and his deputy Mr Richard Needham, appear to have impressed industry with their early efforts to tailor government activities to exporters' needs. Many industrialists would say that this is long overdue in a country where exports account for 18 per cent of gross domestic product.

According to an senior CBI executive: "The fact that the government is now using the word 'strategy' is an important change from the past."

Mr Needham yesterday identified three prongs to his export promotion strategy: ● services to improve compet-

itiveness and exportability of British products, particularly in industrial markets;

● aid to the capital goods industry in developing country markets, with a target of raising capital goods exports from £10bn in 1988 to £20bn by 2000; ● protecting British trading interests in forums like the General Agreement on Tariffs and Trade (GATT), and in bilateral trade conflicts over products such as steel and cars.

His strategy is distinctive in its conviction that export promotion starts with private industry, and at the regional level.

The government has made a strong effort to build into the North America Now campaign policies that meet industry complaints. Its details will be scrutinised with care - not just because the US is Britain's most important export market, but because it will provide clear evidence of whether Mr Heseltine is putting his own, more effective, stamp on Britain's export efforts.

UK seeks code to guard autonomy of EC countries

By Ivo Dawney, Political Correspondent

THE government has set up a high-level committee to draw up a British blueprint for reforms to European Community institutions.

The move, aimed at consolidating and entrenching the powers and autonomy of member states, is designed to ensure the UK never again feels that it has been "bounced" into changes drawn up in Brussels stemming from the European Commission. There was disquiet in London over the way in which, for example, the Maastricht treaty was drafted.

The committee, involving high-level foreign office and cabinet office personnel, has been set up by Mr Douglas Hurd in anticipation of the 1996 inter-governmental conference (IGC) on the EC's constitutional arrangements.

It reflects the foreign secretary's growing conviction, underlined in a speech last month, that the controversy over the Maastricht treaty is in part due to reactive as opposed to "active diplomacy".

Mr Hurd thinks that by promoting a British vision of "a more flexible and decentralised Community" the Tories would be able to reunite after the splits provoked by Maastricht.

A senior official said there

was now widespread belief in government circles that Britain had failed to articulate its vision of the Community early enough in the policy making process.

That had fuelled the impression that "we are constantly being shifted by foreigners", he added. "The last IGC was conducted on other people's terms. We want to be on the front foot from the outset, not responding to other people."

A similar initiative is also underway under the auspices of the European Policy Group, the London-based think tank. The EPG is acting as the secretariat to a group of economists and constitutional specialists drawn from right-wing and Christian Democrat opinion across Europe.

Mr Graham Mather, the EPG president, yesterday described its work as a "lightbulb" by those who believe in positive engagement in EC affairs but oppose what are perceived to be the centralising tendencies of the European establishment.

Among the ideas under consideration are a possible role for national politicians in a second chamber of the European Parliament. The EPG group intends to complete its constitutional model by the end of the year, before promoting it through like-minded think tanks and to the governments of member states.

US telecoms groups sign cable TV deal

By Gary Mead, Marketing Correspondent

COX CABLE Communications and Southwestern Bell, two US telecom companies, yesterday unveiled a preliminary agreement to buy and operate cable television and telephone systems in the UK.

Under the terms of the joint venture - due to be finalised early April - Cox Cable, based in Atlanta, will take an initial 25 per cent stake in Southwestern Bell's eight UK cable television and telephony franchises, covering 1.25m homes in the north west and Midlands.

Analysts believe the joint venture will see Cox investing some \$300m in Southwestern's UK cable operations. The deal is further confirmation of strong north American inter-

est in the UK cable telecommunications sector.

The latest official statistics from the Independent Television Commission, the regulatory body for all commercial television, show that 440,163 homes were connected to modern broadband cable networks by January this year, up from 268,812 in January 1992. The UK currently has 58 cable operating franchises.

In mid-February this year Southwestern Bell, based in Texas, agreed to buy two cable television systems in Washington DC for \$650m: a deal has yet to be approved. It also has cable interests in Israel.

In the US, where more than 50 per cent of homes have cable, Cox has 1.7m cable television subscribers and is the fifth largest multiple-systems operator.

Labour seeks details on regional plans

THE OPPOSITION Labour party is seeking details of the government's regional spending plans in a bid to highlight the potential losses if EC funds earmarked for deprived areas are blocked because of UK policy, David Gardner writes.

The opposition intends to demand details of government plans at the House of Com-

mons tomorrow, said Ms Harriet Harman, Labour's Treasury spokesperson.

Speaking in Brussels yesterday, Ms Harman said: "We want to measure [the Government's] allocation against the [EC] funds available."

Ms Harman was in Brussels for meetings with European Commission and Parliament

officials, including Mr Bruce Millan, commissioner for regional policy.

Mr Millan last week confirmed that the UK risked losing large sums of aid to depressed regions because it was not matching the EC allocations, as required by Community rules.

Britain has yet to take up a

total of £cu1.23bn (£1.02bn) in its EC regional fund entitlement for areas in industrial decline for the 1989-93 period.

Ms Harman also wrote yesterday to Mr John Major, the prime minister, calling on him to take up an estimated extra £32m the UK should get from the EC Social Fund, as a result of the devaluation of sterling.

Half of all employers halt pension fund contributions

By Norma Cohen, Investments Correspondent

MORE THAN half of all British employers are now using pension fund surpluses to reduce or eliminate their contributions to employee pension schemes, according to an industry survey.

The National Association of Pension Funds, the industry trade association, found in its 1992 survey of pension schemes that 36 per cent of employers are making no contribution while another 16 per cent are making reduced contributions.

The figures show a rise from the previous survey in 1991 which found that 47 per cent of

schemes were on full or partial contributions holiday.

Mr Mike Brown, NAPP director of information, said the rise in contributions holidays shows the effects the recession is having on employers. "They would rather use the money to pay their suppliers and staff," he said.

The survey covered 862 NAPP members, covering roughly 40 per cent of all UK pension scheme members.

The survey, meanwhile, noted one troubling trend for occupational pension schemes. Last year, 19 per cent of those eligible to join a scheme chose not to do so, up from 16 per cent the year before.

Auto parts business park to go ahead

By Paul Cheeswright, Midlands Correspondent

THE first business park in the UK dedicated to the manufacture of automotive components will be set up at Wednesbury, north west of Birmingham, on the sites of the former Patent Shaft steelworks and Moocroft chemical works.

Black Country Development Corporation, which is responsible for the regeneration of 10 square miles of land in the area, yesterday said it has signed contracts with Kyle Stewart, the property and construction group, to develop 30 acres of land.

Mr David Morgan, develop-

ment corporation chief executive, said talks were at an advanced stage with the first two prospective tenants of the park. He said they were British subsidiaries of German and US groups.

The 250-acre park is aimed at exploiting the strengthening of the UK motor sector, with component manufacture expected to expand to serve new Honda, Nissan and Toyota plants.

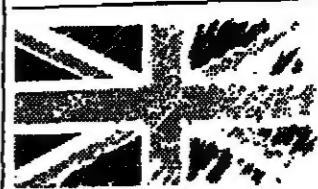
The park will be linked to the national motorway network by the Black Country spine road which will run between the M5 and the M6. Construction contracts for the road will be placed later this month.

Construction, however, of the spine road has been



delayed by escalating costs, and redevelopment of the land at Wednesbury - planned since the mid-1980s - has been thwarted by the collapse of the property market. It had origi-

Britain in brief



Nissan to pay £6m to Nissan UK

Nissan, the Japanese motor manufacturer, has been ordered to pay £6m to Nissan UK, its former British importer, for not honouring an agreement to provide marketing support for sales of its range of Bluebird cars.

The £6m payment had been negotiated by Mr Octav Botnar, the chairman of Nissan UK, as an incentive for taking 12,700 of the cars in the six months before they went out of production in 1990, the Vice Chancellor, Sir Donald Nicholls, said in the High Court.

Nissan had denied such an agreement had ever been reached. However, Sir Donald ruled that an agreement had existed and that Nissan UK had performed its side of it.

Sales of new homes increase

Sales of new homes rose by more than a fifth during the first eight weeks of this year, according to Britain's 15 largest housebuilders.

The figures confirm the revival of activity in the housing market reported by builders, estate agents and building societies.

Elf begins court action

Elf Enterprise Caledonia, the oil company operator which took over the North Sea assets of Occidental, has begun a £10m court action to try to recover compensation paid out in the wake of the Piper Alpha platform disaster which claimed the lives of 167 men.

Council staff take pay cut

Nearly 20,000 Sheffield council workers have voted to take a 3.25 per cent pay cut to stop the city council making 1,400 of them redundant to balance next year's budget. The deal, which Sheffield's leaders believe is the first of its kind in Britain, will help the council get its budget below a £366m ceiling imposed by the government.

Abbey seeks own insurance

A broad shake-up in the housing insurance market was predicted after Abbey National, one of the biggest mortgage lenders, rejected insurance companies' attempts to set higher premiums to compensate for £2.5bn of losses. Abbey disclosed that it is trying to establish an insurance subsidiary to provide its own cover on mortgage repossessions. It emerged separately that at least 11 large mortgage lenders are considering a similar break with general insurers.

UK reserves fall by \$59m

Britain's gold and foreign currency reserves fell an underlying \$59m in February, the Treasury reported. The overall rise in reserves, however, was \$80m, boosted by extra borrowing. Most of the increase came from the proceeds of the fourth tender of three year European Currency Union Treasury notes, which amounted to \$622m.

Car workers accept offer

Car workers at Peugeot Talbot in Coventry have voted overwhelmingly to accept company assurances on job security, ending the threat of industrial action at the company's main production plant.

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As white-collar workers join the dole queue in growing numbers, FT writers look at ways of putting them back to work

Finding the right network

"UNTIL recently most managers believed that redundancy only happened to blue-collar workers in the north," says Nicholas Walters, senior staff tutor at the Guildford Institute of the University of Surrey. "Those who enjoyed the success and financial rewards of the enterprise culture are largely unprepared for the experience."

Unemployment in Walters' "patch" - the traditionally prosperous region of south-west Surrey - has risen by more than 320 per cent since March 1990. Many of the victims are executives. Efforts to address their needs are being made through courses like the one at Guildford. Another source of support can be found in the informal networks of redundant executives springing up around the UK. Adult education centres, universities, citizens advice bureaux, churches and public libraries may also be able to provide the right introduction. Executive unemployment is often masked by substantial redundancy payments. But Walters believes that the refinement of job-finding skills is particularly important. Structural changes in industry mean there will be fewer jobs when the economy improves than there were at the top of the last cycle.

Redundant executives are often well-qualified and have specialist skills, but Walters says it is important to look out for transferable expertise. Redundancy, he adds, can be an opportunity to overcome technophobia and to improve language and personal financial management skills. Philip Thomas, an out-of-work lawyer who recently completed a Guildford course, is a firm believer in unemployed executive networks and has just started one with fellow alumni. He thinks they can be a useful way of developing training, techniques and, ultimately, of tracking down jobs.

Tim Dickson

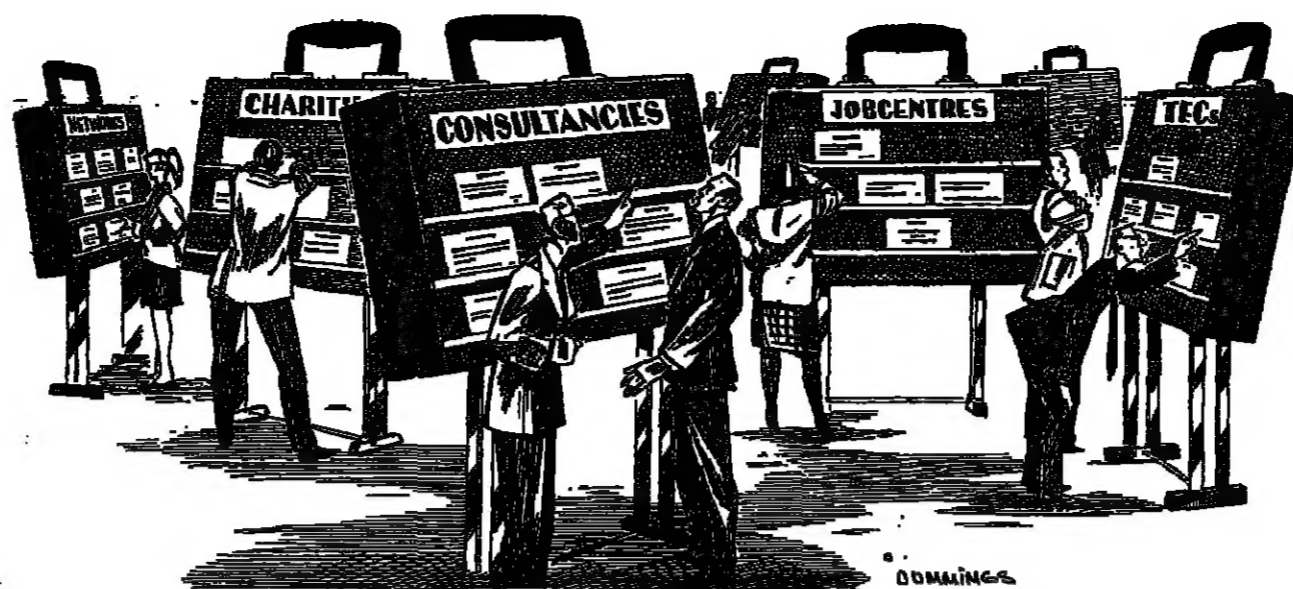
Down but certainly not out

Geoff Anison, manager of St Albans JobCentre in Hertfordshire, has recently recruited a new team to market unemployed professionals, managers and executives to local companies. His JobCentre, serving what was once one of the busiest commuter towns in south-east England, estimates that 40 per cent of its claimants are professionals and executives. Last summer the figure was 30 per cent.

An unprecedented increase in executive, management and professional unemployment has been one of the most eye-catching features of the present recession. A Department of Employment study of London and the south-east published last summer suggested 19 per cent of the unemployed had worked in professional or managerial occupations. Nationally the figure was estimated at just over 10 per cent. Levels have gone up since then.

A growing number of organisations, in addition to self-help organisations, are trying to rise to the need. They include:

● JobCentres. Judging by the four jobs on offer at the St



Albans JobCentre, professionals and executives are not a natural target group. However, with tough targets from the government to get their clients into jobs, JobCentres are focusing on executives.

Amison, for example, has recruited seven new staff to service them. "Most employers do not naturally think of advertising for executives in a JobCentre, so we are having

actively to tell them about our clients," he says.

● Training and Enterprise Councils. Several of the 52 Tecs in England and Wales are introducing imaginative new schemes, most of them built on Employment Training. This offers £10 per week on top of benefit and a placement with an employer. Vivien Houson, of Hitchin in Hertfordshire, is an enthusiastic participant. After

a business grooming at Merrill Lynch she set up her own marketing and design company. It was forced to close last year after Houson had a serious accident. Unemployed, she was referred to a new executive programme, designed by Hertfordshire Tec on the ET model. Called Management Link it offers three weeks' general management training before placement with a local

employer. Houson's skills were matched by Enterprise Partnership, the training organisation, with a structural engineering company which had a project that it had not been able to develop. Thirteen weeks later she was offered a full-time post - of managing director of a new division which will exploit a new product she has developed within the company. "It was the

matching that was so crucial and so successful," says Houson.

● Individual consultancy. For an individual not receiving counselling as part of a severance package, it is possible to find a consultant from about £140 for a half day's session, according to the Institute of Personnel Management.

The two big dangers for individuals to avoid are wasting money on a cowboy consultant and wasting time approaching consultants who are only interested in company assignments.

The IFM's consultancy service will help callers with both these problems by checking those on its register, noting callers' requirements and providing suitable names of consultants.

**Lisa Wood
Diane Summers**

*IFM, Tel 081 946 9100. Executive Group, 79 Manor Way, London SE23 3JG. Tel 081 318 4462, publishes Executive Moves for more junior managers (£18.50 plus £3 p&p) and the Directory of Executive Recruitment Consultants (£50 plus £3.50 p&p) for senior executives.

Getting back on course

NOT many people can claim to have been sacked twice by the same company. Peter Saunders, though, is one of them.

The axe first fell in 1982 when Saunders was pub information bureau manager at Whitbread London, one of the brewing group's operating subsidiaries.

Redundancy was mercifully short lived and his career seemed to be back on course with Berni Inns until 1990 when its then owner, Grand Metropolitan, sold the restaurant chain to Whitbread. Whitbread subsequently decided to run down the Berni brand, with the result that Saunders lost his job as marketing controller last year.

Not surprisingly, he has since opted for a complete change of direction and now runs a marketing consultancy, specialising in the food service field.

Saunders is hoping to capitalise on his commercial experience, but he has also used his periods of unemployment and two outplacement training courses to good effect. Conscious that only a lucky few like him are sponsored for career counselling by their employers, he has written and published a self-tuition manual called Successful Job Hunting.

Saunders' product has been vetted by a senior UK personnel expert (chosen by the FT). She describes it as "easy to follow and well cross-referenced. There is a strong personal touch. I wouldn't agree with everything in it but the important thing is it's positive."

She suggests the manual is most suitable for those up to and including middle managers and could be valuable for anyone who has been out of the employment market for a long time.

Saunders is offering the manual* to FT readers at a special mail order price of £24.50.

Tim Dickson

*Available from 118 Eskdale Avenue, Chesham, Bucks HP5 3BD. Tel 0494-775867.

Lisa Wood

Calling on volunteers

REDUNDANCY is a time for feeling sorry for yourself. Perhaps this state of mind helps explain why many redundant managers finish up feeling sorry for others as well, decide they want to "do something useful" with their lives and consider working for a charity.

There are other motivating factors. A redundancy payment might make it possible for a manager to take a lower-paid post. Although many big charities pay better than they once did, the voluntary sector does not generate lavish incomes.

Neither is it a soft option. Many charities are facing the same recessionary pressures as the private sector. Some are having to make staff redun-

dant and those that are recruiting demand commitment and hard work. However, opportunities do exist. Around one-third of voluntary-sector managers are drawn from commercial organisations, so the right type of person will not find a culture of resistance to outside recruitment.

Who is the right type of person? The voluntary sector is not a quiet backwater - it turns over around 4 per cent of GDP. Big charities need much the same range of finance, marketing, personnel and other specialist skills as private companies.

But many have day-to-day contact with voluntary workers and are run in a more open,

committee-structured way than commercial organisations. Managers who incline to a participative, decision-making style are more likely to settle into this atmosphere than those who draw comfort from giving and receiving orders.

Expertise in a charity's area of activities or previous involvement with the voluntary sector can help. For anyone contemplating an eventual career-switch to a charity, this can be gained from voluntary work. The Volunteer Centre UK* is a national charity that exists to promote volunteering.

Alan Pike

*Volunteer Centre UK. Tel 0442 873311

From hobby to career

MOST self-help manuals for the unemployed advise against developing an interest into a job.

But that is exactly what Peter Bradley, a former Bradford-based accountant and amateur bird watcher, has done. Today, aged 33, he is a warden, employed by the Royal Society for the Protection of Birds, at Surlingham and Rockland Reserves on the Norfolk Broads.

"Wonderful" is how he describes his new job. "I was always keen on natural history but my parents gave me presents like microscopes and chemistry sets," he says. "But at the age of 10 one of my favourite projects was how I

would design a zoo."

He embarked on a professional life and after completing his degree at Kent University spent six years as a part-qualified accountant before becoming unemployed. He then considered the different sorts of jobs he would like to explore. Working outdoors was top of the list.

"I was pulled in by the Job Centre and told that I was an accountant and that there were plenty of jobs in accountancy," he says. "But I persuaded them that what I really wanted to do was work in nature conservation."

He was successful in his plea and took up a training place in Snowdonia, Wales, on Employ-

ment Training, the government programme for the adult unemployed. "I had a fantastic year. Learning things like building dry stone walls," he says.

The RSPB traditionally offers short-term contracts before promoting individuals to be wardens. Bradley took a number of these before gaining his present job.

He says if he had remained in accountancy he could be earning twice his current salary. But he has no regrets. "This is where the action is. We are turning 300 acres of derelict marshland back into a flower-rich reed fen."

Lisa Wood

PEOPLE

Lees to save domestic energy

Eoin Lees, head of the Energy Technology Support Unit at Harwell, the Atomic Energy Authority's research laboratories, has been appointed the first chief executive of the Energy Saving Trust.

Lees, 45, a nuclear physicist, has run ETSU for five of his 17 years at Harwell. ETSU, which carries out projects for industrial and business customers, has also worked recently for the Energy Efficiency Office, part of the environment department.

The Energy Saving Trust, which has been one of the main planks of the government's environmental policy, has been criticised for its slow start since Michael Howard, environment secretary, announced its creation last



year. Lees, who has been chief executive of the trust since last year, has been criticised for its slow start since Michael Howard, environment secretary, announced its creation last

summer. Headed by Lord John Moore, the former cabinet minister, it is intended to encourage the gas and electricity utilities to help households save energy. But critics have been concerned that the utilities would be reluctant to back moves that could damage their revenue, and would seek to pass much of the costs on to customers.

However, Lees, who takes up his post on April 5, says: "I feel strongly that we can make a convincing case that the trust represents the first real chance to tackle the problems of energy inefficiency in the domestic sector."

Before his secondment he was development manager of ARC Central, part of Hanson's aggregates business.

Ambrose's secondment comes only a few weeks after Ian Stewart, a former chief executive of British Ever Ready before Hanson sold it, was seconded to the Department of Trade and Industry.

Finance moves

Lord Trenchard, president of KLEINWORT BENSON INTERNATIONAL Inc, who has already spent many years in Japan, is to return to Tokyo to become the group's senior representative there in May.

Jonathan Jamilly, Stephen Peters, Andrew Stockman and Nigel West have been appointed to the board of HILL SAMUEL BANK.

John Townsend, formerly managing partner of Johnson Capital Management, has been appointed head of international private banking at the London branch of RABOBANK NEDERLAND; he moves from Banque Paribas.



Michael Jeffery (above), formerly md of The Nikko Bank, has been appointed a director of ROBERT FLEMING & Co.

R. Degenhardt, formerly md European corporate finance at Continental Bank in London, and Thomas Lockett, formerly global foreign exchange director at Midland Bank, have been appointed managing directors at The NIKKO BANK (UK).

Susan Allen has been made a director of BARONSMED.

Cater Allen Lloyd's

Edward Bloxham, 50, currently chief executive of REM Outwaite (Underwriting Agencies), is to take over as group chief executive of Cater Allen Lloyd's Holdings, which handles the group's Lloyd's agencies interests. Bloxham, a Yorkshireman, spent the early part of his career in the publishing industry. A certified accountant, he joined the Corporation of Lloyd's regulatory department in 1983; he took over as finance director of Outwaite in 1985, becoming chief executive in 1988.

Non-executive directors

David Roberts-Jones has resigned as non-executive director from ALLIANCE RESOURCES, the US-based oil and gas company which has been in administrative receivership since October.

Roberts-Jones was the last director remaining from the original board which floated Alliance in 1991. John O'Brien, managing director of Manx Petroleum - which put

Alliance into receivership - is chairman of Alliance. An attempt by fellow directors to unseat O'Brien failed last year.

John Adcock, former deputy senior UK partner of KPMG Peat Marwick, and Jack Newdley, a former director of Tarmac, at ALBRIGHTON. Peter Woodman, who had combined the role of chairman and chief executive, remains chief executive with Albrighton non-executive director Humphrey Wood

Marshall's Finance, the holding company for the management buy-out.

He says that he was invited to return full-time to Marshall's after it was decided to split Chris Kelson's role as chairman and chief executive. Knowles says that the buy-out has gone "very well" and the decision to split Kelson's dual function was merely a reflection of current trends in corporate governance.

Kelson remains chief executive and Tony Porter, head of Marshall's European division, has been appointed managing director.



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By Aluminum Company of America

Dated: February 24, 1993

BUSINESS AND THE ENVIRONMENT

Down in the Oriente, Ecuador's Amazon rainforest, US oilmen and local Indians have decided to put aside their differences and enter into a controversial partnership aimed at exploiting the environment without destroying it.

After years of intense battling between oil companies, conservationists, the Ecuadorian government and indigenous groups, Maxus Energy, a US oil company, has been given final authorisation to develop block 16, a 200,000-hectare government concession in the Oriente.

The reason for this controversy is that part of the Maxus concession lies in Yasuni national park, one of the most pristine and biologically diverse areas left in the Amazon forest. Also, block 16 is in the territory of the Huaorani Indians, one of the few tribes left in Amazonia living in relative seclusion from the industrialised world. The park has been declared an international biosphere reserve by Unesco.

The government's permission to build an access road and oil pipeline through the rainforest is part of a new policy which seeks to exploit natural resources even in protected areas, an activity which is forbidden under the 1974 Environmental Protection Law. The authorisation was one of the last hurdles for the consortium headed by Dallas-based Marnox to overcome. Conoco, which originally headed the consortium and conducted exploratory work, abandoned the field last year because of government indecision. Opposition by conservationists and fresh opportunities elsewhere.

One driving force behind the environmental lobby, besides the area's ecological and tribal importance, was the knowledge that oil companies operating in the Oriente had previously caused *enormous* destruction and distrust. A report co-authored by the National Resource Defence Council in Washington DC documented the extent of river and soil pollution, excess deforestation and catastrophic health effects on the indigenous people in the Oriente. According to government estimates, up to 4,800 gallons of oil per day are discharged into the environment, equalling 100 times the amount of oil consumed

Against this background and under the requirements of obligation by a new federal law on oil operations, Marxus proposed an environmental plan which it argued would minimise the negative impact on the environment and the local people and serve as a model project for rainforest areas.

By reducing the width of the access road from 100m to 25m, including a subterranean pipeline, and using more synthetic materials and fewer tree trunks for the road base, Maxus claims the usual deforestation rate for such roads has

Exploiting the rainforest

Local indians, oilmen and conservationists have formed an uneasy alliance in Ecuador, writes Raymond Colitt.

been reduced sharply. It plans to minimise deforestation further by using clustered well sites rather than having a separate site and road for each individual well. A reforestation project is under way - seedlings are being cultivated to replace the trees cut down.

A significant previous concern had been that oil companies moving into the Amazon forest opened the way for settlers, who multiplied the deforestation rate by slash-and-burn horticulture. Maxus plans to install guarded control posts along access roads and important river crossings to prevent settlers entering the

However, until Maxus has had time to comply fully with the plan, environmentalists will remain distrustful, remembering years of oil company abuses in the rainforest.

Also, questions remain over the long-term impact of the measures. Will the pipeline have enough safety valves to minimise the repercussions of a possible oil spill? Is a complete regeneration of the forest area possible? Can the habitat of rare and endangered species be regenerated?

The local environmental group, Acción Ecológica, argues the effect of machinery noise and deforestation on many species that require

specific breeding grounds is still unknown. Yet more mainstream conservationists, while also opposed to the project, are trying to minimise the impact of the oil operations by participating in the process.

"Seeing that the decision to exploit oil in block 16 has been taken, we are now working to make the project as environmentally sustainable as possible," says Danilo Silva of EcoCiencia, an environmental research group.

Maxus has overcome previous opposition to the project by the indigenous groups whose livelihood depends on the forest. Through direct negotiations between Maxus and the Huaorani Indians, both sides have avoided political intermediaries and come to a working agreement. Maxus will provide community services and infrastructure to the Huaorani. It will also limit helicopter flights over the area to avoid

Having experienced the first Maxns community projects, most Huaorani see a chance to benefit from the venture while preserving their culture. "The way to protect our way of life and our culture is by

reinforcing our historical awareness, our language and our customs," says Enqueri, a Huaorani leader. "Through the schools and health centres that Maxus builds, we have this opportunity."

However, further east, the Tagari tribe, remains hostile to oil companies and other development efforts. Their strategy for survival is isolation rather than negotiation.

But the move is also a ploy for the more compromising Hussein, says Enqaes, the contingency plan developed in case of an oil spill is to go *en masse* to the Marxist headquarters to denounce their agreement with the company. Of the \$762m (\$538m) that Maxxam will invest in block 18, about \$50m is earmarked for environmental protection measures, says Boris Abad, its government relations official. The government is investing 57 per cent of the project's total cost, estimated at \$2.2bn. Maxxam expects to produce 220m barrels of heavy crude over the next 20 years.

The initiative shown by Marus so far in protecting the environment and indigenous communities in block 16 is an improvement over previous oil ventures in the Oriente. Yet whether it can be called a model environmental operation in the rainforest will depend on an assessment of the area in a decade.

Paraguay's parrots get the last word

John Barham describes how the country is cracking down on the illegal trade in live animals

Good news about the trade in endangered species is rare, especially when it comes from Paraguay, where the illegal trade in live animals, birds and skins flourished for decades.

During the 35-year regime of General Alfredo Stroessner, corruption and cronyism was central to Paraguay's political system. Paraguayans hunted down caymans in wildlife refuges by the hundreds of thousands to sell their skins.

The capital, Asuncion, became a centre of the shady international trade in live parrots, snakes and monkeys, though it was banned under Paraguayan law and international treaties. What is more, the smugglers moved in the same underworld as gun-runners, drug traders and car thieves.

But in 1988, a military coup toppled Stroessner and Paraguay began making rapid, if uncertain, strides towards democracy. The government is anxious to improve Paraguay's dreadful image by taking action over human rights violations, corruption, smuggling and the illegal trade in animals.

Over the last 18 months, Paraguay has sharpened its environmental laws and promoted determined, honest individuals. The result is more seizures of skins and live animals that were once openly traded. Rich and powerful merchants find their links to the military no longer provide immunity.

Even the Swiss-based United Nations' Convention on International Trade in Endangered Species (Cites), once a bitter critic, now recognises Paraguay is improving. Obdulio Menghi, Cites' scientific co-ordinator, says the Paraguayans "are working like never before, because of the professional and political [commitment] that the country has assumed for the first time".

Change has come almost entirely as a result of intense international pressure from groups such as Cites. Luz Aquino-Auster, head of the government's Cites liaison office, says: "When I went to conferences, I would be pointed at and people would say

Paraguay is a bad country. It was terrible." Now, she gets letters of support. Moreover, she says: "Biologists are in charge now. This is important, because before the politicians were in charge and they

The US Fish and Wildlife Service is advising the government on improving controls, a further sign that Paraguay's search for respectability is something more than a public relations stunt. However, the Paraguayans have little hard data to show for their work, although they do provide some graphic accounts of their seizures.

For instance, in February, Aquino's staff seized 1,125 skins, coats, belts and shoes from a trader. They also fined a shop selling illegal furs and skins \$37,500 (\$26,000) — a princely sum by local standards.

Since then, traders have become waker and seizures less frequent. Furthermore, some foreign governments caution that Paraguay's improvement is overrated, warning that corruption and smuggling will continue, if only with greater discretion.

Nonetheless, the government is co-ordinating wildlife control operations with the army, police and customs, since the trade in animals is part of a wider underground market in drugs, arms and stolen cars. It is also sponsoring an environmental law in congress.

and Aquino hopes that smuggling animals - at present a civil offence - will be made criminal.

Falling international prices have made her work easier. Hunters have glutted the market and demand in once lucrative Asian markets is declining. Warehouses around the world are stacked with enough cayman, iguana and boa constrictor skins to last many years.

There is still a lot to be done. Menghi says: "You have to struggle permanently against contraband, whether of animals, drugs or arms." And several important European markets are still importing animals and skins, to the Paraguayan's fury.

Clamping down on smuggling
hits peasants and Indians, who are
used to supplementing their
incomes with hunting. Experienced
hunters can easily catch a
pair of adult parrots or shoot 15-20
caymans a day, although they are
paid very little. It is the middlemen
who reap the profits: a parrot
can retail for up to \$10,000 in Los
Angeles.

The government is trying to ease this problem by allowing controlled exports of a few species whose numbers are not in danger. The main candidate for "rational exploitation" is the heavily hunted Teyu Guazu iguana, whose skin is used to make handbags, belts and cowboy boots. In 1980-85, between 1.5m and 3.6m Teyu Guazu were exported.

Closer co-operation is needed at regional level. Paraguay's neighbour, Argentina, is often criticised for lax controls and its security and conservation forces lack co-ordination. Smugglers habitually exploit its generous export licences to "launder" species hunted in Bolivia, Brazil and Paraguay. However, Menghi says even Argentina is improving its controls.

However praiseworthy these efforts may be, they do little to alleviate the destruction of habitats, the principal threat to wildlife. The situation is worsening by the day, as Paraguay's forests are cut down and farmers encroach on virgin territory.

[illegible]
NedLloyd

Edward Mortimer



"The ebbing of Russian power after the 1917 revolution seemed to provide more auspicious conditions in which the national aspirations of the peoples of Transcaucasia could be realised. As it turned out, Russia's weakness proved only temporary. The record of the independent republics of Azerbaijan, Armenia and Georgia established in the interim was in any case not particularly promising."

The quote is from Post-Soviet Transcaucasia by Jonathan Aves (RIBA, 25.50) - the latest in the impressive series of papers produced by Chatham House's Post-Soviet Business Forum. And the question it raised for me - one that has been nagging away at the back of my mind ever since the Soviet Union began to break up - was: will history repeat itself?

For if one thing emerges clearly from Mr Aves's paper, it is that the record of those three republics is not very promising this time round, either. Armenia and Azerbaijan have been gradually destroying each other since 1988 in the conflict over the Nagorno-Karabakh region, while Georgia has been destroying itself almost single-handedly.

Georgia's leaders, it is true, tend to blame Russia for stirring up trouble, notably in the breakaway regions of Abkhazia and South Ossetia. Mr Aves, a lecturer in Russian government at the London School of Economics, only partially endorses such accusations. He is much more scathing about the Georgian leaders themselves, especially the self-appointed defence minister, Mr Tengiz Kitovani. Even the widely respected former Soviet foreign minister, Mr Eduard Shevardnadze, does not come out too well.

Mr Aves admits that Mr Shevardnadze's return to head the Georgian government a year ago "established the credentials of the new regime", but he goes on to point out that, "dominated by ex-communists", the government has so far taken no significant measures to promote economic reform. "Despite the republic's catastrophic economic situation",

At the same time he detects

Those were the days

Transcaucasia may welcome a reassertion of Russian power

a "drift towards authoritarianism". A personality cult appears to be emerging around Mr Shevardnadze, and critics of the government find it increasingly difficult to express their views.

Mr Aves is equally pessimistic about Azerbaijan, in spite of its relative good fortune in having "a strong agricultural base and enough oil to give it a trade surplus with the other republics". Paradoxically, he

Pax Russica is, after all, the peace that the region has known in the last two centuries

says, "these economic strengths have combined with political turmoil to retard plans for economic reform", since the government "appears to believe that future income from oil removes the need for rapid change".

At the same time, military reverses at the hands of the Armenians have undermined political stability, and the hold on power of President Abul'faz El'chibei, the nationalist leader who came to power last year, "is by no means to be taken for granted".

Armenia's President Levon Ter-Petrosian gets slightly better marks, for introducing at least some economic reforms, and having the political skill to consolidate his power base without resorting to authoritarianism. But such compliments will ring hollow in the ears of the many Armenians

now enduring their second winter in unheated apartments, and often short of food, thanks to the Azerbaijani blockade and the repeated sabotage of the gas pipeline through Georgia.

Nor is Armenia's political stability exactly obvious when, since Mr Aves's paper went to press, the president has had to dismiss his prime minister (for denouncing the government's own economic plan in a speech to parliament), the opposition has spurned the president's offers of a coalition government, and over 100,000 people have demonstrated in the capital, Yerevan, demanding his resignation.

More ominous still is Mr Aves's warning that, although Armenia had the best of last year's fighting, the odds favour an Azerbaijani military victory in the long run. Armenia, he points out, has few natural resources and no outlet to the sea, being "bordered by an unreliable ally, in the form of Georgia, an uneasy partner, in the form of Iran, a hostile regional power, in the form of Turkey, and a declared enemy, in the form of Azerbaijan". There must, Mr Aves says, "be a serious question mark over the long-term future of the state".

Although Armenians, radicalised by the Karabakh issue, were one of the first Soviet peoples to demand independence in the late 1980s, they are also the one with most to lose when Russian influence in their region declines.

In 1920 Armenia had to beg for Russian protection to prevent itself being overrun by the Turks; and by 1923 it had become, alone in the region, "a loyal and enthusiastic member" of the Russian-dominated Commonwealth of Independent States.

Most Armenians will therefore be glad to hear that "in 1992 there has been a perceptible reassertion of Russian influence in Transcaucasia", and may even hope that Mr Boris Yeltsin, the Russian president, obtains the United Nations mandate he requested for his country last Sunday, to serve as "guarantor of peace and stability" throughout the former Soviet Union.

Pax Russica is, after all, the only peace that Transcaucasia has known in the last two centuries; and the chances of its peoples making peace spontaneously among themselves seem very slight.

"Upwards-only rent review clauses seem designed for a world which had the certainty of an upwards-only pattern of property values. This pattern is not in the interest of the economy as a whole, and the thrust of our anti-inflationary policy is intended to make it obsolete."

Bank of England

The row unleashed last week over the UK government's plans to allow leaseholders to buy the freehold of their homes is matched by a quite separate but equally controversial debate over leases in the commercial sector.

Since the Bank of England threw its weight behind the case for reform in January, the battle has continued to rage. Its attack focused on one of the most cherished principles of the UK property investment industry: that rents should move only upwards after their five-yearly reviews.

It also criticised the "apparently absurd outcomes" that stem from privy of contract, another mainstay of the standard 25-year commercial lease. This means that tenants who pass on a lease when they cease to occupy a building remain liable for rent if a subsequent tenant defaults. The system was an example "of responsibility without power", said Mr Robin Leigh-Pemberton, the Bank's governor.

His remarks drew an angry response from many commercial landlords, who depend heavily on the reliability of the rental income. "The Bank appears to be sweeping the carpet out from under our feet," said Mr Michael Mallinson, a past president of the British Property Federation.

Mr John Rithlat, chairman of the property company British Land, concurred: "It was an uninformed, impoverished statement that was greatly damaging to the industry."

But the Bank of England is not alone. The case for change is being voiced by businesses, politicians and academics with increasing urgency as the recession deepens. Mrs Angela Browning, Conservative MP for Tiverton, in a Commons debate last November, cited the example of some constituents who had been forced to sell their home to discharge rental debts relating to former premises.

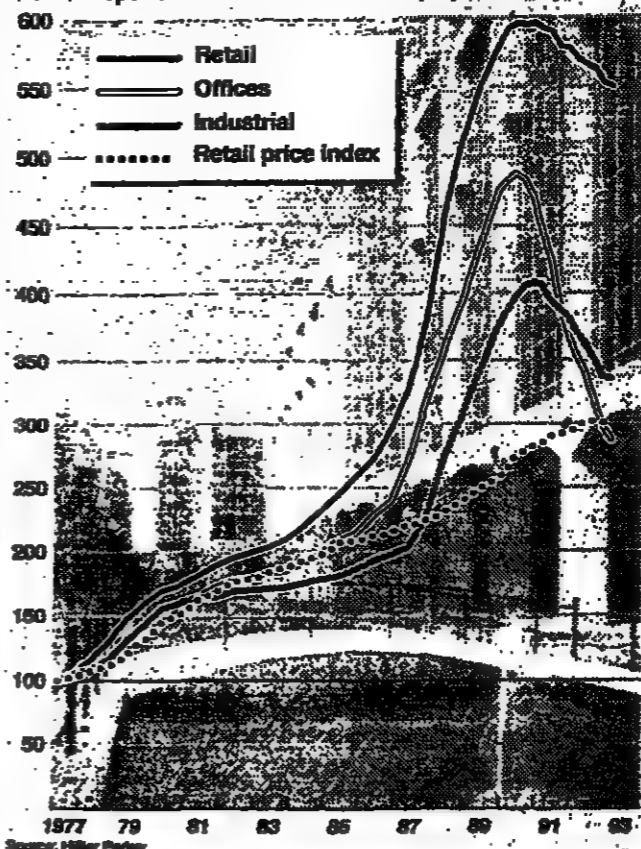
"This has done more to devastate small businesses than even global recession," she said. But privy of contract is not simply a problem for small businesses. Both the Chemist made a provision of £5.8m in its last financial year related to

Hitting the roof over reform

Calls for changes to UK commercial property leases are gathering pace, says Vanessa Houlder

Commercial rents: in the firing line

National open market rents and inflation (May 1977-1992)



Source: Houlder Pender

damage the entire economy. First, it could further reduce institutions' appetite for property. That would be a blow for the banks, which are concerned about how the record £23bn they have lent to the industry over the past few years is to be repaid.

Second, there is a danger that the erosion of companies' asset values could hamper their capacity to borrow, and thus stifle the growth that would spur economic recovery. Commercial property accounts for 30-40 per cent of companies' assets, according to a London Business School study.

This fear is given credence by a recent study by the Centre for Economics and Business Research for the Royal Institution of Chartered Surveyors. The report calculates that a 10

per cent drop in property prices would result in a £20bn fall in borrowing over the next two years. This would reduce gross domestic product by about 1.5 per cent or £2.7bn over the period compared with what it would have been if property prices had not fallen.

The landlords' defence of the existing lease structure extends to claiming that it works in the tenants' best interests. "The irony of the debate about upwards-only reviews is this: only in the current extreme situation does that provision work against tenants' interests," said Mr Mick Newmarch, chief executive of the Prudential life group.

He argued that, if security of income were removed and institutions became less will-

ing to invest in property, the supply of property would dwindle and rents would rise. "If the landlords of tenants win the day, they will actually be doing themselves more harm than good," he said.

This argument cuts little ice with tenants. With few exceptions, they view their landlords' interests as incompatible with their own. Their hope is that the property market will remain weak for long enough to allow them to make lasting changes in Britain's commercial lease structure.

Already, many leases signed in the past year involve concessions by landlords - such as giving the tenant the right to break the lease - which would have been unimaginable a few years ago. But without government intervention, reform is likely to be a slow process, since on average just 4 per cent of leases expire in any year.

The pressure for change creates a dilemma for the government, which promised to consider overhauling privy of contract in its manifesto last year. However, the Lord Chancellor, who has been lobbied intensively by both sides of the debate, has not yet arrived at a suitable compromise.

There is a conflict between the needs of struggling tenants and the rights of landlords, who say they would take the government to the European Court if it passed "confiscatory" legislation affecting existing contracts. "The government is on a hiding to nothing," says one of its advisers. "They have strong constituencies among the property industry and among small business people. They will risk alienating one side or another."

One area in which the government could act is by legislating on new leases, which could remove privy of contract, upwards-only rent reviews and confidentiality clauses. While this would be seen by many landlords as an unwarranted interference in the free market, it would nevertheless be less controversial than any tampering with existing leases.

For the Conservatives, the dilemma is acute. The government is reluctant to interfere with a system that underpins the strength and security of many financial institutions, from pension funds to banks. Nonetheless, the recession has illustrated powerfully the case for an overhaul. Otherwise, property's importance as an investment medium risks overshadowing its more fundamental productive role in the British economy.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Assessment of NHS reforms should reflect impact on patients

From Mr David Blunkett MP.

Sir, I was interested to read John Willman's review of the Organisation for Economic Co-operation and Development report, The Reform of Healthcare (Just what the doctor ordered), March 11. As Mr Willman rightly points out, the OECD can draw no final conclusions on the changes that have been brought either in Britain or the Netherlands.

Nevertheless, it is pertinent to ask the question as to how any final conclusions will be drawn.

Who are the changes expected to have benefited? Is it - as the cutting of costs indicates - governments and the Treasury which are to benefit? Or is it - as any sensible person would expect - the patients who are supposed to be the beneficiaries?

These are crucial questions when National Health Service changes have resulted in rocketing waiting lists and a two-tier health service, with GP fundholders obtaining minor treatment for their patients while serious surgery is delayed for many others. This situation has forced the secretary of state for health to

admit, as she did last Friday, that the internal market has led to delays in urgent treatment, as hospitals simply run out of money.

I hope that the OECD will now connect up with those receiving health treatment so that further reports will make a judgment on outcomes and not merely inputs into the system.

David Blunkett MP, shadow secretary state for health, House of Commons, London SW1 6AA

Proposal at Lloyd's unfair to Names

From FSR Johnson.

Sir, In "The incredible shrinking market" on Lloyd's problems (FT 24 February), Richard Lapper reports that increasingly market professionals want to "fence off" old liabilities by leaving syndicate accounts for 1990 open.

It is normal at Lloyd's to leave years of account open when they cannot be closed in the usual way after three years because debt or potential debt is so high as to make it unreasonable to ask new Names to take part in dealing with it.

It is quite another matter to compulsorily ban all syndicates from closing their 1990 year of account based, not on their individual commercial results for 1990, which in many cases would legitimately allow closure, but on a perceived need to encourage members of the corporate sector and others to join Lloyd's and improve its capital base by insulating them from past problems.

I understand the need for Lloyd's to restore its shrinking capital base. But a measure such as this would introduce a two-tier membership. It would penalise the existing membership, the source of Lloyd's capital so far, and perpetuate the despair of those looking to escape from the worry of their Lloyd's commitments by seeing their syndicates closed legitimately at the three-year point.

F Johnson, 9 Hazely, 71mg, Herefordshire HP23 5JH

How the government has made life more difficult for many exporters

From Mr Campbell Dunford.

Sir, I was very pleased to see the article by Ivor Owen, "Minister defends ECGD sell-off" (February 23), regarding the comments made by Richard Needham, the trade minister, on the privatisation of the bulk of Export Credits Guarantee Department.

It is also encouraging to perceive that Mr Needham is concerned about the vital nature of credit insurance to the UK economy, the balance of payments and employment, all of which are presumably occupying the government's mind at present. But there are a number of points which require expansion.

The minister has said that the reinsurance arrangements to NCM, which bought the

short-term credit arm of the ECGD, would be continued without any time limit. This is not generally understood and indeed represents a significant step forward.

Secondly, while it may be true that NCM has secured adequate reinsurance treaties, the reinsurance market has shrunk and other would-be competitors might find it difficult to obtain reinsurance.

Thirdly, while supporting any initiative to help our beleaguered export industry, it seems strange that government reinsurance is available only to a Dutch-owned company and not to any of the other competitors in the market. This is a matter which is being looked at in Brussels right now.

Experience from our mem-

bers would suggest that while welcoming the privatisation of this arm of ECGD, the government has probably made life more difficult for many exporters in terms of the range of markets covered and the lack of support for other companies wishing to enter the market.

In spite of the minister's confident assertion, it does appear that availability of cover for traditional UK markets has been restricted or withdrawn, and appeals to the DTI on this matter have very largely fallen on deaf ears.

Campbell Dunford, director and chairman, Export Finance Committee, London Chamber of Commerce and Industry, 69 Cannon Street, London EC4N 3AB

Diversity as a function of managerial characteristics

From Mr Andrew Campbell.

Sir, Christopher Lorenz's piece, "Shaking off the Heavy Brigade" (February 26), in which he argues that diversity is dying in business, correctly knocks another nail in the coffin of "diversity".

He rightly defines diversity as a function of managerial characteristics rather than product, market or industry.

A premium product may have widely different managerial characteristics from a low-cost product, even though both are part of the same industry. As a result, speciality chemi-

cals can be seen to be different from commodity chemicals because of their differing managerial characteristics.

These different managerial characteristics demand different skills from the parent company, making the two types of chemical business awkward bedfellows.

Mr Lorenz does, however, dismiss "cross-business synergies" somewhat too readily when, summing up the axioms of what he calls the new orthodoxy in business, he says that "cross-business synergies" of any kind - technological, mar-

keting or any other - are far more elusive than was commonly thought in the 1960s and 1970s.

In our research at the Ashridge Strategic Management Centre, we have identified many situations where businesses benefit from co-ordinating with each other.

Cross-business synergies are not scarce, but we have noted that only a very small portion of these synergies need a parent company to release them.

The synergies can be in fact be gained by the mutual consent of the businesses regard-

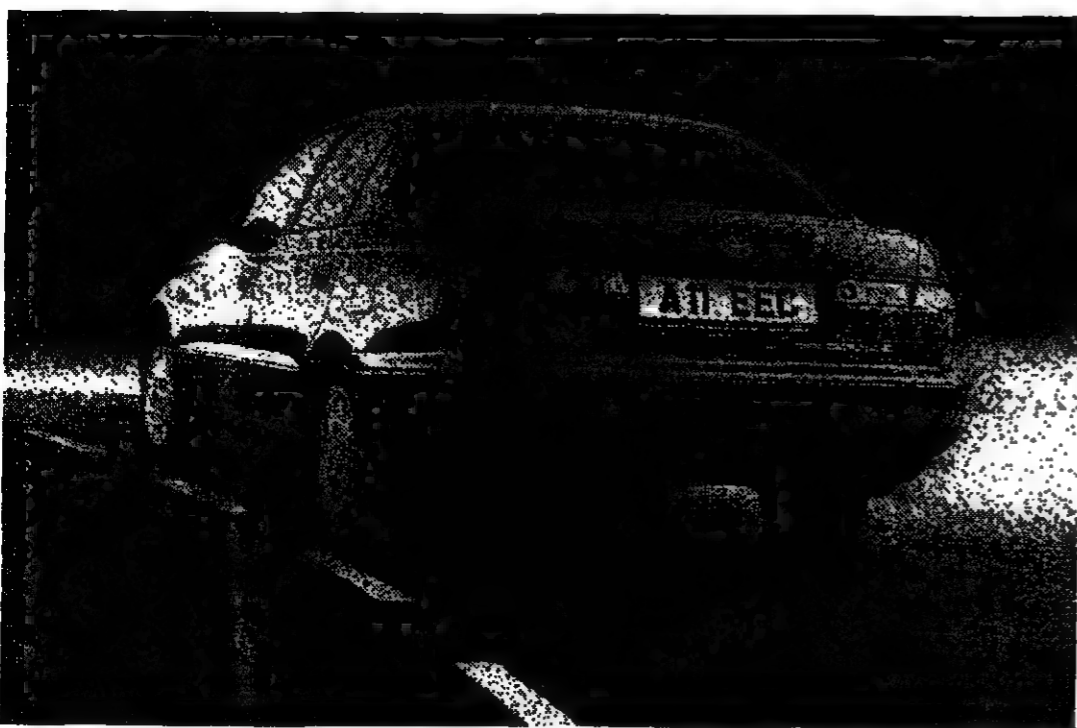
less of who owns them.

Only certain kinds of synergies, that is, those involving blockages to arm's length solutions, require the existence of a parent company.

To borrow Mr Lorenz's analogy, the sap may be flowing between businesses, but it is only in a very few situations that this flow needs to be "pruned".

Andrew Campbell, director, Ashridge Strategic Management Centre, 17 Portland Place, London W1N 3AF

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FT333

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INTERNATIONAL COMPANIES AND FINANCE

Spanish and Portuguese banks in share exchange

By Peter Bruce in Madrid and Peter Wise in Lisbon

SPAIN'S Banco Central Hispanoamericano has joined the push by Spanish banks into Portugal through a share swap with Banco Comercial Portugues.

Under the agreement announced yesterday, BCH has taken 10 per cent of BCP which, in turn, has taken 2 per cent of BCH and 50 per cent of Banco Banif Gestio Privada, a BCH "boutique" bank that caters for wealthy clients.

The operation is thought to be the biggest share exchange between Spanish and Portuguese institutions.

BCH bought 9.14m shares in BCP at Esc2,500 each while BCP acquired 3.4m BCN shares at Monday's closing price in Madrid of Pta3,300.

The agreement also marks the boldest advance made by a Portuguese bank into Spanish territory.

Mr Jorge Jardim Gonçalves, BCP chairman, is likely to be given a seat on the BCH board next month.

BCH, Spain's biggest bank in terms of assets, and BCP said they were looking forward to "long term co-operation" and that they "share a similar philosophy of performance both in the Portuguese and Spanish markets."

BCH's particular interest is to enter high net-worth private banking in Spain through Banif.

BCH has been the success story of Portuguese banking since it was founded in 1985 by a group of northern businessmen. It has since become the country's fourth-largest bank in terms of assets.

In 1990, it linked up with Cariplo, the Italian savings bank, to develop mortgage lending in Portugal and in 1991 it joined forces with Spain's Banco Popular to establish a

bank in France - Banco Popular Comercial - to service Iberian expatriates in France.

Only one other Portuguese bank has made a sizeable acquisition in Spain - last year the state-owned Caixa General de Depositos, the country's biggest bank, bought and merged Banco Luso-Espanol and Banco de Extremadura.

Spanish intrusions into Portugal have been heavier. Banesto now controls Banco Totta e Acores, Portugal's biggest private bank, while Banco Bilbao Vizcaya recently acquired Lloyds Banks extensive Portuguese operations.

It is not clear whether BCH plans to use its BCP stake merely as a source of dividends or whether it will try to operate in some way in Portugal through the BCP association. BCH has just reported a dramatic 22 per cent fall in net profits last year, to Pta52.6bn.

Banesto net slides 62% on back of increased provisions

By Peter Bruce in Madrid

BANESTO, one of Spain's "big six" commercial banks, yesterday announced a 62 per cent fall, to Pta18.3bn (\$150m), in net group profits for 1992, following an erosion of extraordinary earnings and increased provisions.

The figures include Banesto's industrial holding group, Corporacion Banesta. Extraordinary earnings, which Banesto usually generates through disposals, fell from Pta 51.6bn to an extraordinary loss of Pta 1.56bn.

The group also increased provisions by 18 per cent to Pta97.5bn.

The results were largely expected in the markets, which, despite some criticism of Banesto's rush for retail business in the last two years, have also expressed satisfaction with the group's conservative provisioning as a deepening recession in Spain pushes bad debts to record levels.

Even the fall in extraordinary earnings invites conflicting responses. Some analysts believe the bank should reduce its traditional reliance on non-core income.

Other analysts believe the income that Banesto is able to generate from sales of its banking or industrial assets is vital to the bank maintaining its profile among foreign investors.

The group's operating margin grew by 14 per cent to Pta228.4bn and it said that total assets had increased by 5.41 per cent to Pta6,960bn. The group held the rise in operating costs to under 8 per cent.

The results come as Banesto is poised to make a \$400m rights issue soon as the pinnacle of an ambitious capital raising programme.

The bank has received an important boost from JP Morgan, which has agreed to participate in the rights issue and has recently produced highly complimentary opinions about Banesto.

Norske Skog in first fall into red

By Karen Fossli in Oslo

NORSKE Skogindustrier, Norway's biggest pulp and paper producer, yesterday unveiled its first annual loss, and warned of up to 450 further job cuts as part of a programme to reduce costs by Nkr200m (\$20m).

Norske Skog reported a 1992 pre-tax loss of Nkr662m against a profit of Nkr400m in 1991 and will not pay a dividend after paying Nkr2 a share a year earlier.

The weak performance was

due to foreign currency losses on loans, restructuring costs and a Nkr191m loss suffered by Papeteries de Golbey, a French newsprint mill of which the company owns 49 per cent.

Norske Skog's A shares closed down Nkr1.50 at Nkr35 in Oslo.

"The international forest products industry is experiencing the longest and deepest recession since 1945," Norske Skog said, adding that there was a sharp fall in prices for most of its main products.

Group sales fell to Nkr7.83bn last year from Nkr8.97bn in 1991, but operating costs were cut to Nkr7.10bn from Nkr7.79bn. Norske Skog charged 1992 accounts with Nkr200m for restructuring, against a charge of Nkr130m in 1991. Minority interests in affiliated companies showed a loss of Nkr183m last year, against a Nkr23m profit in 1991. Net financial items of Nkr432m were charged against 1992 accounts, compared with Nkr143m in 1991.

Norske Skog posted a

Nkr228m unrealised foreign exchange loss on loans, and said that Nkr160m could be attributed to December's devaluation of the krone. In sharp contrast, the group achieved a Nkr80m foreign currency gain in 1991. The group plunged into an operating loss of Nkr47m in 1992, against a profit of Nkr500m in 1991.

Mr Arnfinn Hofstad, Norske Skog chief executive, issued a cautiously optimistic view for the group's prospects in 1993, but nevertheless warned the result this year would be poor.

Generali lifts annual premium income by 53% to L17,000bn

By Haig Simonian in Milan

AGGREGATE premium income at Generali, Italy's biggest insurance company, surged by 53.6 per cent to almost L17,000bn (\$10.86bn) last year, against L10,964bn in 1991, due to the weaker lira and a big new Spanish venture.

Adjusted for currency factors and the new venture, aggregate premiums rose by 14.9 per cent, the company said.

The preliminary figures come as Generali shares rose sharply on the Milan stock exchange following Monday's decision by the Italian

government to open the door to the creation of private pension funds, which are expected to boost sharply the profits of the country's leading insurers.

Generali gave no indications of its net profits or dividend for 1992, which will only be revealed after a board meeting in early May. In 1991, group net earnings before minority interests rose to L572.2bn.

The company did not say how its growing Spanish activities, through a joint venture with Banco Central Hispanoamericano, were progressing. Last year, Generali said it aimed to

secure at least a 10 per cent share of the Spanish insurance market.

Premiums on directly written Italian business rose to L4,070bn last year, with an 11.9 per cent increase to L1,496bn on the life side and a rise of 7.6 per cent to L2,574 bn non-life business.

Directly-written foreign business jumped by 37.6 per cent to L1,651bn, due partly to the weaker lira. Adjusted for currency factors, the increase was 20.4 per cent.

Indirectly-written business climbed by 21 per cent (17.7 per cent on an adjusted basis) to L2,768bn.

Polygram posts 13% advance

By Michael Skapinker, Leisure Industries Correspondent

POLYGRAM, the music company which is 80 per cent owned by Philips of the Netherlands, reported net income up 13 per cent to F1506m (\$273.3m) in 1992, with a strong US performance offsetting a downturn in most of Europe, Japan and Brazil.

Net sales were up 5 per cent to F16.6bn, with popular music accounting for 88 per cent of revenues compared with 70 per cent in 1991. Classical music accounted for only 14 per cent of revenues last year, compared with 17 per cent in 1991.

Film accounted for 8 per cent of revenues last year, compared with 5 per cent in 1991. PolyGram last year paid \$35m for a 51 per cent stake in the film producer Interscope. It also purchased the 51 per cent it did not already own of Propaganda Films.

Income from operations rose 7 per cent to F1789m. Net income per share was up 13 per cent to F12.98. The full-year gross dividend is F10.85, up 6 per cent.

Compact discs accounted for 66 per cent of albums sold, compared with 68 per cent in 1991. Cassettes made up 31 per cent, compared with 35 per cent the year before. Vinyl records accounted for only 3 per cent, compared with 7 per cent in 1991 and 18 per cent in 1989.

SAS sees little likelihood of merger

By Christopher Brown-Humes in Stockholm

DISCUSSIONS between KLM, Swissair and Austrian Airlines are not expected to result in a merger, Mr Harald Norvik, SAS chairman, expects.

Speaking at an industry forum in Bergen, Norway, he stressed that the airlines were looking to co-operate more closely rather than combine. There had been speculation that the four airlines might eventually merge following

last Friday's announcement that they were launching detailed talks on the feasibility of setting up a "global airline system".

Mr Norvik said: "The talks are aiming to establish if the conditions exist for discussions on closer co-operation, and I don't think that a collaboration would lead to a merger. The issue is what degree of co-operation and co-ordination would be appropriate." He said SAS was not holding talks with any other airlines.

SAS, Swissair and Austrian Airlines already co-operate through a loose grouping known as the European Quality Alliance, which involves joint marketing activities and co-ordination of timetables.

It first became clear that KLM was interested in partnership talks with the EQA airlines in late January.

Last Friday, the four groups said they were setting up joint working groups to explore opportunities more closely.

Sabena relaunches with modest profit

By Andrew Hill in Brussels

SABENA, the Belgian national airline, yesterday relaunched its corporate and financial image with a surprise announcement that it had returned to modest profit after years of heavy losses.

The company attributed its recovery to the 11-month-old partnership with Air France, the French national carrier.

Mr Pierre Godfroid, chairman, said the group expected a

consolidated net profit of BFr6m (\$180,000) for 1992, against a loss of BFr2.44bn in 1991 and a loss of BFr5.17bn in 1990.

Group results cover the performance of the scheduled airline, centralised operations and regional and charter services. Mr Godfroid said more details would be released in April.

Mr Godfroid said Sabena could not have achieved such results without Air France's support, particularly on fleet

management, which he said saved the Belgian company about BFr500m last year.

The modest recovery has not come cheaply. Air France and a Belgian consortium agreed last April to inject BFr6bn into Sabena in the years up to 1994, and take a 37.6 per cent stake.

The Belgian government contributed a further BFr5bn on top of earlier heavy investment. Further state aid would almost certainly be banned by the European Commission.

Devaluations and weaker demand put DFDS lower

By Hilary Barnes in Copenhagen

DFDS, the Danish shipping and haulage group, returned annual pre-tax profits of DKr100m (\$11m) compared with DKr144m in the previous 12 months.

Sales rose to DKr5.93bn from DKr5.33bn in the same period.

An unchanged dividend of DKr60 per share (6 per cent) was proposed. The board attributed the slide in profits to the slump in leading markets, including the UK and Sweden, and to the devaluations of the Swedish krona and sterling against the

Danish currency. Passenger traffic on the Scandinavian Seaways ferries to the UK was down.

The Tor Line freight service was adversely affected by conditions in Sweden and the UK.

The increase in sales was attributed by the company to an improvement in the haulage division, which has strengthened its position in the European markets.

This year will be a difficult one due to the slump in main markets, the group said.

It predicted a further reduction in operating profits.

Chargeurs warns of difficult 1993

By William Dawkins in Paris

CHARGEURS, the French textiles-to-media group run by Mr Jérôme Seydoux, yesterday reported nearly doubled profits for last year but warned that 1993 would be "very difficult".

Net profits rose from FF368m (\$66m) in 1991 to FF724m last year, but this was helped by a FF410m capital gain from the sale of Chargeurs' 12.9 per cent in the UTA to Air France.

The result implies an earnings fall from the first to the second half of the year. Chargeurs reported a FF712m net profit in the first six months of 1992, up from FF404m in the same period of 1991.

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INTERNATIONAL COMPANIES AND FINANCE

K mart advances 9.5% for year on slow sales growth

By Nikki Tait in New York

K MART, the US retail group which operates around 2,400 discount stores as well as several chains of specialist stores, yesterday reported a 9.5 per cent increase in after-tax profits for the year to January 27.

However same-store sales growth for the group overall was a modest 2.5 per cent. The company made after-tax profits of \$941m in the 52-week period, up from \$899m in the previous year.

After-tax profits in the fourth, and most important, quarter rose by 11.7 per cent, to \$338m. Earnings per share increased more modestly. Due to an issue of equity-based securities in 1991, the figure for the last quarter increased to

\$1.15 from \$1.06, while for the year it was up by 2 per cent at \$2.06.

Total sales in the final quarter increased from \$10.6bn to \$11.5bn. For the year, there was a 9.1 per cent increase to \$37.7bn.

K mart said that its gross margin for the year had slipped to 24.5 per cent of sales, compared with 25 per cent. This reflected "increased clearance markdowns of spring and summer merchandise lines, especially apparel".

K mart also noted that there was a greater sales contribution from its PACE warehouse club chain, where margins are particularly low. However, K mart added that the margin pressure had been greatest early in the year and

that there had been an "excellent sell-through" of seasonal merchandise during the Christmas season.

In the main general merchandise division, comparable store sales rose by a modest 1.5 per cent, although operating profits increased by 11.9 per cent to \$1.56bn.

The specialty retail chains overall saw a 5.7 per cent rise in same-store sales, with operating profits rising 10.7 per cent to \$1.81bn.

The one problem area was PACE, which saw operating profits fall from \$39m to \$3m. K mart said the profits erosion stemmed from poor performance of new outlets opened in 1991 and 1992, but that it expected an improvement this year.

HP moves large printer and plotter development to Spain

By Alan Cane in London

HEWLETT-Packard, the US computers and electronics manufacturer, is to move worldwide responsibility for the development and manufacture of large-scale printers and plotters to Barcelona, Spain, from San Diego, California.

The move is part of an expansion programme and there will not be any job losses in San Diego.

The company said it would invest more than Ptal.8bn (\$15.3m) over the next two years to build a new 8,000 square metre plant at its Barcelona site.

The 300-strong workforce is

expected to double by the end of 1994.

Industry consultants estimate that the value of plotters manufactured in Spain will be \$300m a year by 1994.

Research and development, marketing and manufacturing will all be moved to Spain from the US.

Hewlett-Packard is a leading manufacturer of large-scale plotters and printers, which are used to create architectural and engineering drawings.

The company also said it intended to concentrate the manufacture of inkjet printers, where it is market leader, for the European market in Barcelona.

loss within two years.

HP will continue to make inkjet printers in Vancouver, Washington, and Singapore.

Hewlett-Packard has been manufacturing plotters in Barcelona since 1985.

A spokesman said the company had been encouraged to develop further in the region by the quality of components from local suppliers, by the local workforce and by financial incentives.

The company has two other sites which manufacture products for a global market: Andover, Massachusetts, produces medical systems; and South Queensferry, Scotland, makes telecommunications instrumentation.

NWA offers staff equity for wage concessions

By Nikki Tait

NORTHWEST Airlines, the indebted US carrier in which KLM Royal Dutch Airlines holds a minority share stake, has offered its employees a 20 per cent equity interest in the company in return for substantial wage concessions.

Northwest said the proposal was "the company's best offer for a revised compensation plan". The lack of progress in talks with unions prompted speculation that the airline might file for Chapter 11 bankruptcy protection, but Northwest has denied this.

It asked labour leaders to agree to the plan by March 10. The company is asking contract employees - including its pilots, flight attendants and mechanics - for cost savings of about \$883m over three years. Management and non-contract employees would contribute \$92m. The savings would come from wage reductions.

In return, Northwest is offering employees a 20 per cent equity stake and three seats on a 15-strong board of directors. This would match the three representatives appointed by KLM, which would see its share stake diluted pro rata.

Once the employee wage concessions are in place, Northwest will attempt a financial restructuring. If it has not obtained \$500m of new permanent capital by the end of June 1993, the employees' stake could increase to 51 per cent of the equity.

Royal Bank of Canada profits flat

By Robert Gibbons in Montreal

ROYAL Bank of Canada, the largest of Canada's big six chartered banks, yesterday reported little-changed net profits for the first quarter.

The bank, which is negotiating the acquisition of the trust operations of Royal Trustco, recorded net profit for the quarter of C\$254m (US\$211m), or 71 cents a share, in the first quarter of fiscal 1993.

This compares with C\$256m, or 73 cents, a year earlier. There were more shares outstanding in the latest period.

Lower non-interest expense and larger payments received on Brazilian loans were offset by higher domestic loan loss provisions and lower fee income.

Loan loss provisions totalled C\$295m, increased significantly to cover problems in the corporate sector. A year earlier, the provision was C\$185m. The bank now estimates provisions for fiscal 1993 at C\$820m, up C\$120m on the estimate at October 31 last.

Return on average assets was 0.73 per cent, against 0.76 per cent, and on equity 14.8 per cent against 14.5 per cent.

Total assets at January 31 were C\$137bn, up 2 per cent from a year earlier. If the Royal Trustco acquisition is consummated, the deal would bring the bank's total assets to nearly C\$200bn.

The Toronto commercial property market deteriorated further in the latest quarter, but retail banking, investment banking, treasury and investment management performed as planned.

"Strong spending control and the solid performance from most core businesses indicate a strong level of profitability this year," said Mr Allan Taylor,

chairman. The bank recently raised about C\$600m in new Tier-1 capital.

● The banks will refinance about \$326m of term debt of Camdev, the former Campeau Corporation property group.

The banks have agreed to roll-over existing loans to Camdev for up to four years, secured by Camdev's stock in a profitable US regional grocery chain and office properties in Ottawa and London, Ontario.

The banks will also advance about C\$35m for upgrading two Ottawa office towers for lease renewals.

Fokus pre-tax losses reduced

By Karen Fosell in Oslo

FOKUS BANK, Norway's third biggest commercial bank, announced yesterday that 1992 pre-tax losses, before extraordinary items, had been sharply reduced to Nkr426m (\$60m) from Nkr2.1bn in 1991.

The substantial improvement was due to an increase in operating income, a reduction in credit losses, and a significant cut in credit losses.

Fokus said that, according to its strategic plan, it is set to

return to profit within two years.

It charged 1992 accounts with Nkr480m for restructuring, against Nkr40m in 1991, which took net losses for the year down to Nkr907m, from Nkr1.884bn in 1991. It said state cash transfers had enabled it to undertake the far-reaching restructuring.

Fokus wrote down the value of its property portfolio by Nkr168m to Nkr2.8bn last year, against a write-off of Nkr425m a year earlier to

Nkr3.3bn. Net interest income fell by Nkr174m to Nkr1.1bn as operating income increased to Nkr571m from Nkr543m.

Fokus said that interest income was lower than had been earlier anticipated, due to unrest last year in foreign currency markets. Operating costs fell by Nkr304m to Nkr1.332bn last year.

Group operating profit, before credit losses and write-offs, rose sharply last year to Nkr333m from Nkr166m in 1991.

Credit losses up at Swedish co-op bank

By Christopher Brown-Humes in Stockholm

FORENINGSBANKEN, the Swedish co-operative bank, saw its operating loss rise to SKr1.355bn (\$175m) last year from SKr907m, as credit losses rose to SKr3.50bn from SKr2.79bn.

The bank said it would need to strengthen its capital base in the autumn through a new share issue, after its capital adequacy ratio fell to 8.1 per cent at the year-end. The government has announced the bank is entitled to state support through guarantees.

Bad debts accounted for 5.8 per cent of total lending in 1992 and mainly related to real estate and small and medium-sized companies. Problem credits amounted to SKr8.9bn at the year-end.

The bank said it expected to remain in the red this year, warning "there is a substantial risk that loan losses will remain high".

AT&T to raise capital spending

AMERICAN Telephone and Telegraph expects total capital spending for this year to exceed 1992's \$3.9bn and capital spending for its AT&T worldwide intelligence network to exceed last year's \$3bn, the company said in its annual report, AP-DJ reports.

The group added that it had not yet decided whether to adopt in 1993 or 1994 the new accounting standard for disability and other benefits provided to former employees.

It is required to adopt the standard by January 1994. AT&T said it could not reasonably estimate the financial impact of the change.

Plants to close at offshoot of Cincinnati Milacron

CINCINNATI Milacron, the US machine tool group, is restructuring its newly-acquired subsidiary, Valente, with the closure of nine plants, including two in Brazil and one in Mexico, and net job cuts of about 490, AP-DJ reports from Cincinnati.

The company said the restructuring would improve Valente's profitability by lowering working capital requirements, reducing overall expenses, increasing plant modernisation and improving capacity utilisation.

Costs associated with the restructuring, to be substan-

tially completed this year, were provided for at the time of the acquisition in February. As a result, there would be no special charges, Milacron said.

Of Valente's 27 facilities worldwide, nine will close. Those plants are in Kentucky, Michigan, Ohio, Australia, two in Brazil, Italy, Mexico, and the UK.

Two plants in Michigan and Canada will be reduced in size.

Four operations, including plants in South Carolina, Texas, France and Germany, will receive additional work.

Marriott bondholders pursue fraud claim

By Nikki Tait

A GROUP of bondholders in Marriott Corporation, the US hotels and food services group which is planning to split itself into two separately-quoted companies, intends to step up its securities fraud litigation against the company.

The bondholder action is led by PPM America, part of the British Prudential insurance company's investment manage-

ment division, which holds around \$200m in Marriott bonds - largely on behalf of Jackson National Life Insurance Company, the Prudential's US insurance subsidiary.

The demerger scheme involves spinning off the more profitable operational businesses and leaving most of the group's debt, along with the property assets, in a separate company.

Marriott bonds dropped sharply as a result, although the group's shares have soared.

Some bondholders, including PPM America, sued Marriott, charging that the company failed to disclose its restructuring plan when it was selling new debt issues to investors last year.

Some of the big US institutional bondholders, however, are negotiating with Marriott, with a view to a settlement.

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This announcement appears as a matter of record only.



REPUBLIC OF POLAND

has sold to
a wholly-owned subsidiary of

Unilever N.V.



Unilever

a 70% share of

Z. T. OLMEX Ltd.

an edible oils and fats company incorporated and registered as a limited liability
company under the laws of the Republic of Poland in Katowice, Poland.
(Formerly Śląskie Zakłady Przemysłu Tłuszczowego w Katowicach.)

The undersigned acted as financial adviser to the Polish Ministry of Privatization.

CREDITANSTALT INVESTMENT BANK AG
CREDITANSTALT FINANCIAL ADVISERS S.A.



December, 1992

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Sorin Biomedical Inc.

an affiliate of

SNIA BPD SpA, a FIAT Group Company

has sold the stock of

Tracheostomy Products, Inc.

to

Mallinckrodt Medical, Inc.

a subsidiary of

IMCERA Group Inc.

We acted as financial advisor to Sorin Biomedical Inc. in this transaction and assisted in the negotiations.

Merrill Lynch & Co.

Credito Romagnolo S.p.A.

has acquired the remaining 46% not already owned of

Banca del Friuli S.p.A.

We acted as financial advisor to Credito Romagnolo S.p.A. in this transaction.

Merrill Lynch & Co.

Insituform Group Limited

has been acquired by

Insituform of North America, Inc.

and has been renamed

Insituform Technologies, Inc.

We acted as financial advisor to Insituform Group Limited in this transaction and assisted in the negotiations.

Merrill Lynch & Co.

Roche Biomedical Laboratories, Inc.

a subsidiary of

Hoffmann-La Roche Inc.

has acquired

CompuChem Corporation

We acted as financial advisor to Roche Biomedical Laboratories, Inc. in this transaction and assisted in the negotiations.

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INTERNATIONAL CAPITAL MARKETS

Belgium and British Gas lead day of large issues

By Antonia Sharpe

A NUMBER of high-quality borrowers raised large amounts in a variety of currencies in the international bond market yesterday, but the heavy supply was readily absorbed.

The Kingdom of Belgium raised DM1bn through a five-year Eurobond issue. The amount was above market expectations of DM600m and the maturity shorter than expectations of seven to 10 years. Mr Philippe Maystadt, Belgium's finance minister, said that the proceeds would be used to refinance existing D-Mark borrowings.

The bonds were priced at 99.95 to yield 15 basis points over the series 104 of medium-term German government bonds. When the bonds were freed to trade, the spread tightened by as much as five basis points before widening out again to about 12 basis points in the afternoon.

An official at the lead manager, Deutsche Bank, said that Belgium had been advised to raise a larger amount in order to establish a new five-year benchmark.

There was above-average demand from the UK and a good proportion was placed in Switzerland and the Far East. By contrast, the shorter maturity made the bonds less attractive to German institutions which tend to prefer bonds with a 10-year life.

The Deutsche official said Belgium had opted for the five-year maturity in order to reap the cost advantage of the sharp drop in yields at the shorter end of the German government bond yield curve, prompted by hopes that the Bundesbank will cut leading interest rates tomorrow.

INTERNATIONAL BONDS

end of the German government bond yield curve, prompted by hopes that the Bundesbank will cut leading interest rates tomorrow.

He noted that Belgium would have had to pay 40 basis points more if it had opted for a 10-year maturity.

The issuer had also decided against the seven-year area of the yield curve because it would have had to compete with the EC's recent DM2.5bn Eurobond issue. The EC's bonds now yield 12 basis points above underlying German government bonds compared with

eight basis points at launch.

The recent widening of sovereign yield spreads on D-Mark Eurobonds, triggered by the warnings on Italy's foreign currency debt by leading credit rating agencies, could disuade similar borrowers from issuing in D-Marks, the Deutsche official said.

In an active sterling sector, British Gas made its widely-expected appearance with two issues raising £200m each, one with a maturity of 10 years and the other with a life of seven years. Both issues were priced to yield 32 basis points over comparable UK government bonds and the spread on both issues had tightened slightly by late afternoon.

An official at CSFB, which arranged the deals with Goldman Sachs, said that investors showed a marginal preference for the 10-year maturity but that both issues were quickly placed. There was firm demand from continental European accounts looking for exposure to sterling.

Syndicate managers expect more UK corporate borrowers to tap the Eurosterling sector in the near future, encouraged by the tightening

of corporate yield spreads.

The European Investment Bank also took advantage of the pent-up demand for sterling paper and re-opened its £400m issue of 8 per cent Eurobonds due 2003, launched in January.

The new tranche of £200m was priced to yield five basis points over the 8 per cent UK gilt due 2003 and the spread tightened slightly by late afternoon. An official at the lead

manager, Samuel Montagu, said that most of the demand for the bonds came from overseas.

Meanwhile, the Province of Ontario launched its first Canadian dollar global issue and the level of demand was such that the amount was raised from the minimum C\$1bn to C\$1.5bn. The bonds, which have a life of 10 years, were priced to yield 93 basis points over comparable Canadian government bonds, the lower end of the indicated range of 93 to 95 basis points and within market expectations. By late afternoon, the spread on the bonds was unchanged.

An official at Merrill Lynch, one of the four joint lead managers, said that 30 per cent of the bonds went to Canada, 10 to 15 per cent to the US, 35 per cent to Europe and the rest was placed in Asia.

NEW INTERNATIONAL BOND ISSUES

| Borrower | Amount m. | Coupon % | Price | Maturity | Fees | Book runner |
|-----------------------------|-----------|----------|---------|----------|------------|--------------------------|
| US DOLLARS | | | | | | |
| Dow Chemical Co.(a)† | 120 | 2 | 100 | Mar.1997 | 2.25/1.5 | Nikko Europe |
| Eurochem(a)† | 100 | 2 | 100 | Mar.2000 | 0.45/0.3 | Lehman Brothers Intl. |
| YEN | | | | | | |
| All Nippon Airways Co. | 300m | 4.5 | 101.7 | Jun.1998 | 1.875/1.5 | Nikko Europe |
| Tokai Tokai Bank Co. | 100m | 5 | 101.5 | Jun.2000 | 1.875/1.5 | Yamaichi Int.(Europe) |
| | | 5 | 101.5 | | 1.84/1.5 | Widco Europe |
| D-MARKS | | | | | | |
| Kingdom of Belgium | 1bn | 6.375 | 101.7 | Mar.1998 | 3/1.5 | Deutsche Bank |
| STERLING | | | | | | |
| British Gas | 200 | 8.125 | 101.57 | Mar.2003 | 2.1/7.5 | CSFB/Goldman Sachs Intl. |
| British Gas | 200 | 7.25 | 101.55 | Mar.2003 | 1.875/1.5 | CSFB/Goldman Sachs Intl. |
| European Investment Bank(a) | 200 | 8 | 100.843 | Jun.2003 | 0.225/0.1 | Samuel Montagu & Co. |
| CANADIAN DOLLARS | | | | | | |
| Province of Ontario(a)† | 1.5bn | 8 | 98.45 | Mar.2003 | 3.375/4.25 | Merrill Lynch Intl. |
| SWISS FRANKS | | | | | | |
| Swissair Corp.(a)† | 40 | 3.25 | 100 | Mar.1997 | | Nomura Bank (Switz.) |

Final terms and non-callable unless stated. (a) Private placement. (b) Convertible. (c) With equity warrants. (d) Floating rate note. (e) First tranche of a series. (f) First tranche of a series. (g) First tranche of a series. (h) First tranche of a series. (i) First tranche of a series. (j) First tranche of a series. (k) First tranche of a series. (l) First tranche of a series. (m) First tranche of a series. (n) First tranche of a series. (o) First tranche of a series. (p) First tranche of a series. (q) First tranche of a series. (r) First tranche of a series. (s) First tranche of a series. (t) First tranche of a series. (u) First tranche of a series. (v) First tranche of a series. (w) First tranche of a series. (x) First tranche of a series. (y) First tranche of a series. (z) First tranche of a series. (aa) First tranche of a series. (ab) First tranche of a series. (ac) First tranche of a series. (ad) First tranche of a series. (ae) First tranche of a series. 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Disappointment with Bundesbank erodes European gains

By Richard Waters in London and Patrick Harverson in New York

THE BUNDESBANK yesterday disappointed investors hoping for an early cut in German money market interest rates. In the process erasing some of

GOVERNMENT BONDS

the gains recorded by most European bond markets on Monday.

After the solidarity pact with the eastern German regions has been completed. The outcome of the report was taken as a sign that the Bundesbank would not lower its official interest rates at its council meeting this week, though most commentators still expect such cuts in the near future, once the terms of the solidarity pact with the eastern German regions has been completed.

Ten-year OATs rose on the day, closing the yield spread over German bonds to around 80 basis points, sharply lower

ket hopes of a 10 or even 20 basis point cut.

German bonds retraced some of their gains of recent days, with the yield on 10-year bonds rising to 6.68 per cent. This was seen as a minor setback given the strength of the market's rally, however.

While most European markets followed Germany down, French bonds remained firm yesterday. This was despite confirmation of this week's 10-year bond auction, and the looming French elections.

Ten-year OATs rose on the day, closing the yield spread over German bonds to around 80 basis points, sharply lower

FT FIXED INTEREST INDICES

| | Mar 2 | Mar 1 | Feb 26 | Feb 23 | Feb 20 | Feb 17 | Feb 14 | Feb 11 | Feb 8 | Feb 5 | Feb 2 | Jan 30 | Jan 27 | Jan 24 | Jan 21 | Jan 18 | Jan 15 | Jan 12 | Jan 9 | Jan 6 | Jan 3 | Dec 31 | Dec 28 | Dec 25 | Dec 22 | Dec 19 | Dec 16 | Dec 13 | Dec 10 | Dec 7 | Dec 4 | Dec 1 | Nov 28 | Nov 25 | Nov 22 | Nov 19 | Nov 16 | Nov 13 | Nov 10 | Nov 7 | Nov 4 | Nov 1 | Oct 29 | Oct 26 | Oct 23 | Oct 20 | Oct 17 | Oct 14 | Oct 11 | Oct 8 | Oct 5 | Oct 2 | Sept 29 | Sept 26 | Sept 23 | Sept 20 | Sept 17 | Sept 14 | Sept 11 | Sept 8 | Sept 5 | Sept 2 | Aug 30 | Aug 27 | Aug 24 | Aug 21 | Aug 18 | Aug 15 | Aug 12 | Aug 9 | Aug 6 | Aug 3 | July 31 | July 28 | July 25 | July 22 | July 19 | July 16 | July 13 | July 10 | July 7 | July 4 | July 1 | June 28 | June 25 | June 22 | June 19 | June 16 | June 13 | June 10 | June 7 | June 4 | June 1 | May 29 | May 26 | May 23 | May 20 | May 17 | May 14 | May 11 | May 8 | May 5 | May 2 | April 29 | April 26 | April 23 | April 20 | April 17 | April 14 | April 11 | April 8 | April 5 | April 2 | March 31 | March 28 | March 25 | March 22 | March 19 | March 16 | March 13 | March 10 | March 7 | March 4 | March 1 | Feb 28 | Feb 25 | Feb 22 | Feb 19 | Feb 16 | Feb 13 | Feb 10 | Feb 7 | Feb 4 | Feb 1 | Jan 29 | Jan 26 | Jan 23 | Jan 20 | Jan 17 | Jan 14 | Jan 11 | Jan 8 | Jan 5 | Jan 2 | Dec 30 | Dec 27 | Dec 24 | Dec 21 | Dec 18 | Dec 15 | Dec 12 | Dec 9 | Dec 6 | Dec 3 | Nov 30 | Nov 27 | Nov 24 | Nov 21 | Nov 18 | Nov 15 | Nov 12 | Nov 9 | Nov 6 | Nov 3 | Oct 31 | Oct 28 | Oct 25 | Oct 22 | Oct 19 | Oct 16 | Oct 13 | Oct 10 | Oct 7 | Oct 4 | Oct 1 | Sept 28 | Sept 25 | Sept 22 | Sept 19 | Sept 16 | Sept 13 | Sept 10 | Sept 7 | Sept 4 | Sept 1 | Aug 29 | Aug 26 | Aug 23 | Aug 20 | |
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Hays shows modest growth to £29m

By Andrew Bolger

HAYS, the business services group, increased pre-tax profits by 9 per cent to £29.1m in the six months to December 31.

However, the group said that the early opening of a Milton Keynes distribution depot for Waitrose in January had brought forward £1m of extra costs which would have an effect on the second half's results.

The shares closed 14p lower at 227p.

Mr Ronnie Frost, chairman, said the group had performed well: "The operating profits of both the distribution and com-

mercial core activities showed good growth."

Group turnover rose from £341m to £381.8m and operating income increased by 8 per cent to £30.1m.

The distribution division's operating profits rose by 8 per cent to £17.5m. The group said the performance of Pril, the French distributor bought for £37.5m in June, had been up to expectations.

Hays Network Distribution, which encompasses the Dagenham, Network and Marine businesses, had been substantially reorganised by its new managing director who was appointed in August. About 20

redundancies, at a cost of £250,000, reduced profits. However, Mr Frost said these cuts, and closure of two offices, would save £1m a year.

Chemicals distribution's profits declined, mainly because of a surplus of caustic soda.

The commercial division increased operating profits by 15 per cent to £10.6m. In spite of the Post Office delaying an increase in the first-class letter rate, Britdole's profits continued to grow strongly due to new business areas and increasing volumes of mail. The group said its parcels business, Data Express, had done

well in a difficult market, increasing both turnover and profits.

The personnel division's operating profits fell from £2.5m to £2.1m, partly because of about £250,000 of reorganisation costs. All 123 branches, which mainly provide accountancy staff, continued to contribute to profits.

Earnings per share rose to 4.9p (4.7p). The interim dividend is lifted to 1.7p (1.5p).

COMMENT

Yesterday's figures were at the bottom end of expectations and that was enough to knock the share price, which has enjoyed

a good run from 163p since September. However, the performance of the main businesses remains impressive.

The commercial division continues to thrive and the dip in multi-user distribution and the chemicals side shows that recovery would not just benefit Hays' depressed personnel division. Analysts have brought their full-year profit forecasts back to about £67m, which puts the shares on a prospective multiple of about 20. The 20 per cent premium to the market does not seem unjustified for a group which will respond speedily to economic upturn.

Concern over dividend cuts 10% off Raine shares

By Andrew Taylor, Construction Correspondent

THE SHARE price of Raine Industries fell by more than a tenth yesterday despite the announcement by the UK housebuilder of a 14 per cent rise in pre-tax profits to £2.8m during the six months to end-December.

A rise in group borrowings and concern over an uncovered interim dividend, which was maintained at 2p, sent Raine's share price tumbling by 12p to 101p, reducing its stock market value by £22.5m.

Pre-tax profits would have fallen below last year's interim level of £2.4m if provisions for the six months to end-December 1991 of £3.4m, to cover losses on Raine's 2.5 per cent strategic stake in rival housebuilder VJ Lovell, had not been restated above the line.

The company revealed that since January 1 there had been a substantial improvement in agreed sales and inquiries from would-be purchasers.

However, Mr Peter Parkin, chairman, said the improvement had come too late to benefit the current financial year.

He blamed wild fluctuations in currency and interest rates last autumn, which had hit housebuyers' confidence, and

restricted sales during the run-up to Christmas.

As a result, operating profits had fallen by 11.6 per cent during a first half which had included the first full six months of sales from Walter Lawrence.

Earnings, after taking account of the 1991 restated provision, rose from 0.27p to 0.83p.

In order to pay the maintained dividend the company will need to transfer £2.19m from reserves.

Borrowings had risen since the end of June by £17m to £57m, equivalent to 47 per cent of shareholders' funds.

Mr Parkin expected borrowings to get back to about £40m by the end of June.

He added that the political and economic upheaval caused by sterling's withdrawal from the ERM had caused tremendous damage to the confidence of house buyers.

First half sales of 654 were about 180 less than the group had expected.

House prices and margins had remained under severe pressure, particularly in the south-east.

However, Mr Parkin said that more recently there had been signs that prices had begun to stabilise, reflecting an

increase in demand.

The group's housing operation in California had continued to perform poorly and incurred a first half loss.

UK contracting was also a difficult market with margins and orders under severe pressure.

COMMENT

Raine's share price last night was only slightly ahead of the 95p rights issues price in March last year when it acquired Walter Lawrence. The company, however, appears willing to raid reserves to maintain the final dividend provided the housing market does not dive again. It will need pre-tax profits of at least

£17m in 1993-94 to provide sufficient earnings to maintain the dividend again. In the current financial year pre-tax profits are likely to be about £11m compared with a restated £10m for 1991-92. Borrowings, however, will be lower by June.

The group's land costs, one of the lowest in the sector, will stand it in good stead as the housing market picks up. A prospective p/e approaching 30 for the current financial year suggests the shares are not going anywhere in the short term.

Contract-out trend boosts Serco to £7.2m

By Angus Foster

SERCO, the facilities and project management company, yesterday announced a sharp rise in profits and turnover, helped by the growing trend for government and companies to contract out services.

Pre-tax profits increased 37 per cent from £5.25m to £7.21m in 1992. At the interim stage, profits also increased 37 per cent to £3.59m.

Mr Richard White, managing director, said he was "extremely pleased" with the

results. "The whole market remains quite busy," he said.

Turnover rose 43 per cent to £149.7m. About half the increase came from International Aeradio Limited (IAL), the civil aviation specialist acquired last April from BT for £12.3m. IAL contributed pre-tax profits of £556,000, slightly ahead of expectations.

Operating profits, however, rose only 7.7 per cent to £5.69m. This was partly due to costs on restructuring IAL.

Serco holds contracts as varied as the maintenance of Hyde

Park, Ministry of Defence radars and speed cameras in London. Mr White said the company retained several important contracts after tender.

Associates, which include some Ministry of Defence joint ventures and a New Zealand company, increased their contribution from £519,000 to £1.38m, thanks to contract expansions.

Serco had net interest receivables of £131,000 compared to charges last time of £561,000, mainly because of reduced bor-

rowings after the £2.7m rights issue in November 1991.

Fully diluted earnings gained 22.6 per cent to 57p (50.2p). A final dividend of 9.5p is proposed, to make a total of 14p (11.9p).

COMMENT

Serco is undoubtedly a class act working in a market with guaranteed growth. But yesterday's 47p rise in the shares to 810p suggests the market may be a little carried away. To be fair, much of the buying was prompted by analysts upgrad-

ing forecasts for this year by about £1m to £2m. The shares are also closely held so can over react. But after rising more than 40 per cent since September, they are now on more than 17 times and leave little margin for error. The one question mark is operating profits, where growth has

tended to lag behind increases in turnover. This year, the figures are obscured by the IAL acquisition. Next time, it should be clearer whether Serco can make the most of all the new business it is winning.

NEWS DIGEST

Billam rises 57% to £479,000

J BILLAM, the specialist engineer, returned profits of £479,000 pre-tax for the year to end-December, an improvement of 57 per cent over the previous £306,000.

Turnover was static at £5.99m (£5.95m) although second half sales showed a 5 per cent rise over those for the corresponding period which the directors said reflected "initial benefits of increased sales activity".

Earnings rose to 20.1p (13.3p) and a final dividend of 3.1p makes a 5p (4.3p) total.

Interest costs were reduced to £57,000 (£95,000) and year-end gearing was cut to 30 (47) per cent.

£25.6m raised for Pilot Inv Trust

Charterhouse Tilney, the stockbroker, raised £25.6m for Pilot Investment Trust, which will specialise in smaller companies.

The amount raised is on a par with the £28.5m raised by Hoare Govett for its indexed smaller companies trust late last year.

The bulk of the shares (with warrants attached) were placed with institutions. Only 2.11m shares were applied for in the public offer. About £10.8m of the fund raised came from institutions swapping their existing small company holdings into trust shares.

Dealings in the trust will start on March 5.

Bad debts behind 43% fall at Instem

Instem, the USM-quoted computer electronics and information systems group, saw profits tumble 43 per cent in a "disappointing outcome" for the 53 weeks to December 31.

After an exceptional £386,000 provision for bad debts, after three customers went into receivership, the pre-tax line emerged at £875,000, against £1.01m in the previous year.

Turnover declined some 10 per cent to £14.2m (£15.8m), a fall partly attributable to the "uneven nature of our project work" according to Mr David Gare, chairman.

The final dividend is maintained at 1.8p for a total of 3.1p (3p), covered 2.7 times by earnings of 8.5p (15.2p) per share.

Paramount edges ahead to £261,000

Profits of Paramount, the Cheshire-based pub operator, rose by £5,000 to £261,000 pre-tax for the six months ended November 30 in spite of an 18 per cent fall in turnover to £2.67m.

The result was struck after

interest charges of £225,000 (£578,000) and a share of profits of an associate undertaking of £71,000 (nil). Fully diluted earnings emerged at 0.25p (0.34p).

The company's shares are traded on the USM, but with the proposed closure of that market directors are considering a move to a full listing.

Pacer \$531,000 back in profit

Pacer Systems, the USM-quoted electronics group, swung from losses of \$1.14m to profits of \$631,000 (\$374,000) pre-tax for 1992. Revenue rose 9.5 per cent to \$27.6m.

At the year end, the order book was up 18 per cent at a record \$83.1m. Earnings per share amounted to 8 cents (losses 13 cents) and a final dividend of 3.5 cents makes a same-again 6.5 cents total.

GKN makes £6.5m Mexican expansion

GKN has lifted its stake in Velcon SA de CV of Mexico, part of the Desc industrial group, to 38 per cent.

GKN paid \$10.1m (£8.52m) for an additional 14 per cent of Velcon from its partner Spicer.

Mr Trevor Bonner, managing director of GKN automotive drive line systems, believed Velcon offered a "significant strategic opportunity for GKN as Mexico is a key growth area within the world automotive market."

Provident Financial obtains injunction

Provident Financial, the consumer credit and insurance group has obtained a high court injunction to prevent the Halifax Building Society using the name "Halifax" in connection with motor insurance.

Provident Financial has a motor insurance subsidiary, Halifax Insurance, specialising in private motor insurance. Provident said the injunction would stay in force until a full hearing of the case in up to two years' time.

Grahams Rintoul launches new trust

The High Income Trust, an investment trust which will invest in convertible securities, is being launched by Grahams Rintoul, the London-based fund management group.

The trust will aim for an 8.5 per cent yield, payable quarterly, and will have a six year life.

Two classes of shares will be offered, ordinary income and zero.

The trust's board will include Prof Tim Congdon, one of the "seven wise men" who advise the government on economic issues.

Grahams Rintoul also manages an eponymous investment trust and the North American Gas trust.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interim or final and the sub-divisions shown below are based mainly on last year's time-table.

TODAY

Interline: Fishing Enterprises, Gert (SR), Lina Printing Tech, Savage, Triton Euro.

Pharm: BSC, BMD Securities, Brent Chemicals, CMA, Courtey Tech, Cowi (T), Grosvenor Dev Cap, Guardian Royal Exchange, Metal Bulletin, Midland Bank, Nelson, Star-Plus, 78 High Income Trust, Trans World Comms.

FUTURE DATES

Interline: Dowling & Mills Apr. 8

Golden Hope Plantations Mar. 17
Mudlow (A&S) Mar. 19
Sider Mar. 11

Pharm: Anglia Television Mar. 19
Bagnon Inds Mar. 11
Berleth Mar. 24
Edmond Mar. 18
Granville Mar. 11
Mandrel Mar. 8
Merchandise Trust Mar. 9
Robinson Brothers Apr. 7
Rutledge Mar. 11
Holt-Phelps Mar. 11
Sloper & Friedlander Mar. 19
Taylor Woodrow Mar. 30
United Glaxo Mar. 18
Vitol Mar. 18
Wessell Mar. 15
Waters City of London Mar. 8



General Accident

SUBSTANTIAL RECOVERY

1992 RESULTS

| | Year to 31.12.92 Unaudited £m | Year to 31.12.91 Audited £m |
|-----------------------------------|--|--------------------------------------|
| General Premiums | 3,831.5 | 3,219.0 |
| Life Premiums | 790.4 | 551.9 |
| Net Investment Income | 464.8 | 389.1 |
| General Underwriting Loss | (510.1) | (569.1) |
| Loss before Taxation | (29.3) | (171.6) |
| Loss attributable to Shareholders | (26.9) | (139.4) |
| Earnings per Ordinary Share | (7.0p) | (32.1p) |
| Dividend per Share | 26.75p | 26.75p |

- Pre-tax loss of £29.3m represents an improvement of £142.3m – despite losses on Hurricane 'Andrew' of £65m net.
- Fourth quarter pre-tax profit of £5.8m maintains positive trend of underlying recovery.
- UK underwriting losses substantially reduced.
- US results distorted by Hurricane 'Andrew'.
- Good performance in Canada and the Pacific.
- Outstanding progress in Life operations.
- Second issue of Preference Shares will raise £110m and add 2.6 points to current solvency margin of 43.3%.

Nelson Robertson, Chief Executive, commented:
"A substantial recovery has been achieved. We are now well placed to take advantage of opportunities for profitable growth."

General Accident plc

General Accident plc, World Headquarters: Pitheavlis, Perth, Scotland PH2 0NH

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remained under a cloud as both UK and US investors continued to assess the valuation prospects of the two new companies which will emerge when the existing group is demerged later this year. Glaxo was also out of favour, adding to the gloom which has clouded over the pharmaceuticals sector and thus over ICI's plan to demerge its pharmaceutical interests.

The postponement, yet again, of interest rate hopes, brought some profit-taking in the construction and contracting sectors as some traders decided to withdraw from this area until the opening on Monday of the new equity market and the Black Friday. Store and retail issues, also responsive to interest rate views, traded quietly.

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